(DRAFT)

SOCIO-ECONOMIC DEVELOPMENT PROGRAM

FOR

FY 1966-67 TO FY 1969-70

PART I + II

PREPARED BY THE STAFF
OF THE
Philippines. NATIONAL ECONOMIC COUNCIL

MAY, 1966

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Republic of the Philippines
NATIONAL ECONOMIC COUNCIL
Manila

May 10, 1966

His Excellency
The President of the Philippines
Malacanang, Manila

Mr. President:

In compliance with Your Excellency's directive to prepare your Administration's four-year program for social and economic development of the Philippines, I have the honor to submit for your consideration the attached draft of Part I of the program entitled "Socio-Economic Development Program for Fiscal Year 1966-67 to Fiscal Year 1969-70", containing the following six chapters:

Chapter I - Introduction
Chapter II - The Philippine Socio-Economic Situation
Chapter III - General Objectives of Development
Chapter IV - The Overall Program
Chapter V - Sectoral Targets, Projects, Investment Levels and Sources of Financing
Chapter VI - Strategy of Development

Part II which contains the detailed Sectoral Programs will be submitted later.

This program follows more or less the same pattern as the previous socio-economic development programs, in that it plans the growth of the economy during the next four years, as a projection of the development of the preceding program period, using the status of the economy in fiscal year 1965 as the starting point. It differs, however, from previous programs in the following respects:

1. It is prefaced with a searching and provocative study of the basic conditions and factors in our socio-political life which have a strong bearing on the attitudes and reaction of our people towards economic programming and planned development.

2. It is premised upon an analysis in-depth of the Philippine economy over the past fifteen years, to isolate the problems of deep-rooted character from those which were merely transitory, and classify the factors which determined the trends of the economy into those which were accidental and/or uncontrollable

and those which were man-made and within human control, with a view to gaining a deeper insight into the workings of the economy so as to be in a better position to project its future growth.

3. It sets more realistic targets which are relatively more conservative than those of previous programs, in recognition of our past experience and the fact that, owing to the stagnation of our country during the four previous years, Your Excellency's Administration is faced with a more difficult and challenging task of not only promoting growth but actually arresting the economic decline and sharply reversing the trajectory to veer it upwards.

4. In its preparation, a determined effort was exerted to secure the active involvement and participation of the various implementary agencies in the public sector as well as organizations, enterprises, and groups in the private sector. At the start of the year, letters were sent to some 146 of these government and private entities, requesting them to inform the National Economic Council technical staff of any developmental projects that they were contemplating to undertake during the program period. While only some 57 percent of the recipients replied to the 146 letters sent, the response may nevertheless be considered gratifying as a first step in the right direction. Extensive consultations with the private sector and the implementing agencies were likewise undertaken, and the ideas and projects recommended which were found to be feasible were duly incorporated into the overall plan.

5. While it makes use of the National Income accounts in general magnitudes for projection purposes, the program goes into far more specific detail, particularly in the sectoral programs, where specific projects and activities are clearly identified, with a clear-cut specification of definite targets and close estimates of investment requirements, which are then synchronized with the overall, aggregative national projections. Thus, there is a closer identification between the aggregative financial requirements and goals and the actually implementable projects and activities.

6. It properly recognizes the importance of physical planning and regional development as factors of economic development. Accordingly, it includes a detailed discussion of the measures that must be implemented in order that the economic activities envisioned in the program will be geographically dispersed in such a manner as to minimize the erratic distribution and congestion of industrial establishments, and assure that the growth

would proceed generally in a balanced and orderly fashion.

7. It is specially unique with the inclusion, for the first time in the history of economic planning in the Philippines, of a chapter on the Strategy of Development, which sets forth in consolidated form the different steps, measures, projects, attitudes, policies, and basic approaches which must be adopted and undertaken by the Government in order to:

a. Accomplish its direct, specific role in prosecuting economic development; and

b. Realize its less direct, but nonetheless, vital function of motivating, persuading, and influencing the private sector and indeed, the greater mass of our citizens to carry out those activities which are considered necessary to the attainment of the objectives and targets of the program.

A notable feature of this particular chapter is the proposed reorganization of the governmental machinery for economic planning and implementation aimed at eliminating wasteful duplication, establishing effective coordination, and streamlining operations. If adopted and implemented, the new organizational scheme will give the Chief Executive the full authority and opportunity to exercise dynamic leadership in the development planning and implementation process, which is indispensable to the successful execution of any program.

In view of its pivotal importance in the entire concept of economic development as advanced in the program, we have repeatedly called attention to the imperative and absolute necessity of implementing the various measures proposed therein in a totally integrated manner. A piecemeal application of the program, as contra-distinguished from the total integrated approach, will surely jeopardize its hopefully anticipated success.

We trust that this program will meet with Your Excellency's approval, and we wish to express our sincere gratitude for this privilege and opportunity to be of service to your Administration and our country in this regard.

Very respectfully yours,

Filemon C. Rodriguez

FILEMON C. RODRIGUEZ
Chairman

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Chapter I

INTRODUCTION

This plan has been prepared pursuant to the instructions of the President of the Philippines, His Excellency, Ferdinand E. Marcos, to up-date the previous Five-Year Integrated Socio-Economic Program and to plan the growth of the economy during the next four years, fiscal year 1966 - 1967 to fiscal year 1969 - 1970.

Looking back over the years since planning on a national scale started, one notes that no less than fourteen (14) national economic development plans had already been prepared. The first glimmer of the idea of national planning appeared in the Philippine scene in 1934. On the eve of the organization of the Philippine Commonwealth, the Philippine Economic Association was formed, which together with an affiliate, the National Economic Protectionism Association, advocated a redirection of the economy towards diversification and industrialization. This was to lessen the overdependence of the Philippine economy on the United States due principally to the existing free trade relationship, and to prepare the country for independent nationhood. The concept took a more definite form in 1938 when the National Economic Council organized under Commonwealth Act No. 2, under the Chairmanship of Manuel Roxas, then Secretary of Finance, made the first attempt to draw up a national plan for economic development. An outline was prepared, many working groups were organized, but after the many sectoral reports were submitted, the work was discontinued and no consolidation of the reports into one national program was made.

Since the liberation there has been a continuing stream of plans and programs for economic development. The first of these was the technical memorandum prepared by Thomas Hibben (called the Hibben Plan) appended to the report of the Joint Philippine-American Finance Commission (1947). Shortly thereafter, the H.E. Beyster Corporation, under contract with the National Development Company, prepared the program for industrial rehabilitation and development of the Republic (known as the Beyster Plan). Then the 1948 Rehabilitation and Development Program was prepared in Washington, D.C. by Miguel Cuaderno (Cuaderno Plan) to comply with the requirements of the International Bank for Reconstruction and Development, with which the Philippines was then negotiating for a loan to finance the foreign exchange requirements of its hydroelectric projects. This plan embraced a five-year period from 1949 to 1953 and represented the first attempt of the Philippine government to map out a coordinated and budgeted economic development program. The Cuaderno Plan was officially adopted by the National Economic Council in 1949 and its recommendations were approved by President Quirino.

In 1950, in preparation for the coming of the United States Economic Survey Mission (Bell Mission), the Philippine group headed by Jose Yulo, prepared a revision of the Cuaderno Plan, entitled "The Philippine Agricultural and Industrial Development Program revised in 1950", otherwise known as the Yulo Plan. The Bell Mission thereafter made an analysis of the economic and financial problems of the Philippines and recommended measures for the attainment of self-sustained economic growth. The Bell Report of 1950 became the basis of the Quirino-Foster Agreement under which the United States agreed to provide American aid up to $250,000,000 for the development of the Philippine economy.

In 1954, President Magsaysay felt the need for a comprehensive economic plan and the Five-Year Economic Development Plan for FY 1955-1959 was formulated under the leadership of Filemon C. Rodriguez, then Chairman of the National Economic Council. This plan (known as the Rodriguez Plan) was more ambitious and more comprehensive than any other previous plan. For the first time in post-war economic planning, the national income accounts were utilized and the impact of the investment program on the economy as a whole as well as its effect on employment and production, was assessed. Also, the inclusion then of social development in the program was an innovation in Philippine economic planning. This plan which was adopted by President Magsaysay on March 20, 1954, served as the economic plan of the Magsaysay administration.

Between 1954 and 1957, several plans were submitted to the

National Economic Council for adoption. They were the Cabinet Committee Plan, the Araneta Plan, the Roy Plan, and the Puyat Plan, all prepared in 1955. Then in 1957, the Five-Year Economic and Social Development Program for FY 1957-1961 was prepared by the Office of National Planning of the National Economic Council under the initiative of Eduardo Z. Romualdez, then Acting Chairman. This constituted the first revision of the Rodriguez Plan. Appended to it was a supplementary three-year production program prepared by Senator Jose C. Locsin. The NEC Economic and Social Plan was not adopted by the President but it served as basis for the Five-Year Fiscal plan for 1957-1961.

The five-year fiscal plan for 1957-1961 above-mentioned was prepared by the Budget Commission in compliance with an Executive Order of the President. This covered only the public sector of the economy and was considered as the government sectoral plan of the NEC Economic and Social Plan.

In 1959 the National Economic Council under Chairman Locsin revised the NEC Economic and Social Plan for FY 1957-1961 into the NEC Three-Year Program of Economic and Social Development for FY 1960-1962. This program was adopted by the National Economic Council but was not endorsed by the President who, instead, transmitted to Congress an up-dated Budget Plan for FY 1959-1963.

In 1962, upon assumption to Office, President Diosdado Macapagal submitted to Congress a Five-Year Integrated Socio-

Economic Program for the Philippines covering the Fiscal Years 1963-1967. This plan which was prepared by an ad hoc committee created by the President, was not submitted to the National Economic Council, although much of the data and actual sectoral drafts came from the technical staff of the National Economic Council. This plan, however, was not approved by Congress.

The various national plans above-described cover a period of almost twenty years. As time passed, the plans have become more and more detailed and sophisticated. They have been built upon an expanding and gradually improving statistical and theoretical framework. Nevertheless, it is clear that none of the plans has been implemented, except in piece-meal fashion. The programs have not gone down close enough to the implementing level to establish definitely identifiable relationship between the overall scheme and the detailed plans and programs of the implementing agencies and, therefore, the latter did not pay much attention to the national programs.

There are built-in handicaps to the National Economic Council itself in the preparation of a truly meaningful, practical, realistic and integrated economic and social development program for the country, which can be implemented faithfully by the different instrumentalities and agencies of the government as well as the private sector.

The Council is constituted, not only as a staff or advisory service to the President, but also as an arm of the President. It coordinates the economic planning activities of the nation. It formulates national economic policies and prepares comprehensive economic and social development programs which, when approved by the President (and, if necessary, authorized by Congress) are to be implemented by government agencies. The Council also coordinates foreign aid activities and formulates general policies governing the use of foreign aid, and prescribes statistical standards and methodology, for use by government agencies.

In its lifetime, the Council has tried valiantly to accomplish these tasks, and, as previously stated, has prepared a number of national programs of economic development. In some cases though, Council members can not come to an agreement, or some of its policy recommendations are ignored by the implementing arms of the government.

It appears, for example, that the Council has not been able to get Congressional endorsement of a broad economic policy of increasing production, real income, and employment as a guide to economic planning and development. It has not succeeded, except in a few cases, in securing clear-cut Presidential approval and strong endorsement of its national development plans. Pending this approval and definite instructions from the President to all governmental agencies to use the Plan as an over-all guide, implementation cannot follow. Also, the Council has not been able, except in certain specific cases, to get the needed appropriation of funds for projects in the Plan.

The Council, moreover, is still struggling to be recognized as the focal point from which must emanate, or through which must be coursed, all proposals or bills regarding economic policies and programs.

It would seem that the apparent failure of the National Economic Council to be an effective tool in the integrated socio-economic development of the country can be attributed to the following causes:

1. The Presidents, from 1935 to date, have not utilized the Council fully in accordance with its basic functions. The Congress has not given any sign that it is interested in, or supports the Council in its planning efforts.
2. The individual government agencies have not fully recognized or understood, much less implemented, the plans.
3. The duplication of, and conflict in, planning functions among the Council, the Central Bank, the Budget Commission, and the bypassing of the Council by PIA under the previous administration have severely weakened the Council.
4. The plans and programs did not provide an effective

means to induce private enterprise and the banking system to follow the directions of the national plan. During the period of controls, there was some way by which the activity of the private sector could be influenced, but this was lost altogether with decontrol.

5. The membership of the Council has in some way made it unwieldy. The members from Congress with their opposing party membership necessarily bring into the Council their opposing political points of view on any given issue. The members from private business and industry, on the other hand, also bring into the Council conflicting views of private interests to which these members owe loyalty. All these have caused in certain instances difficulty or delay in reaching agreement or concensus on important issues before the Council.

Then too, there are certain basic conditions in our political and economic life which probably contribute to our difficulty in implementing a truly integrated national economic program. These are as follows;

1. Dominance of Politics in Our Life As we all know politics always has a very strong influence in our national life. This influence has been expanding

gradually in recent years. Our partisan political system has developed in such a manner that the electorate looks up to the politician for all kinds of favors, help and protection, and the politician in turn encourages this attitude, tries to satisfy it, and distributes patronage to maintain his hold on the electorate. The politician, even with the best of intentions, realizes that he can not remain in power and thereby participate in the leadership of the nation unless he gives preferential attention to the needs of his constituents and manipulates situations in their favor, and unless he can gather and dispose of sufficient resources to dispense to them in order to win and perpetuate himself in political position and power. It is natural, therefore, that politicians in general would not be in favor of plans and projects being laid out and allocations of funds made for them in accordance with basic criteria and ideas determined logically for the benefit of the nation. The strength of the politician lies in his ability to influence the formulation of short term policies, the selection of actual projects, the appropriation of funds, the employment of people, the adoption of measures for implementation from day to day, on a case-by-case basis, so that he can swing the situation in his own favor or that of his group or constituents.

2. The Feudal Character of Our Economic Set-Up   Under the economic set-up prevailing in the Philippines, economic power is in the hands of vested interests namely, the landed aristocracy and certain business groups. Naturally, these interests are also averse to integrated national planning which, in our case, seeks to bring about a change in the economic pattern not only by bolstering economic growth but also by effecting a more equitable distribution of income and property among the population. Necessarily, therefore, since these groups would want to maintain the status quo they would not help in the successful implementation of the national plan. Over the recent years there has been a marked trend towards the consolidation of political and economic power by the groups, which further strengthens the feudal character of the economy and the resistance to planned growth.

3. Dominance of Foreign Elements in Our Economic Life   A sad facet of the Philippine economy is the dominance by foreign elements of the commercial and business sectors of the economy. It is the foreigners who

control domestic trade and the channels of distribution. While retail trade appears statistically to be now in the hands of Filipinos, in reality, many of those so-called Filipinos are naturalized citizens of foreign origin or extraction or dummies of such foreign elements. The wholesale trade as well as the external trade are also dominated by foreigners. Because a prime objective of the integrated national programs is to redirect the economy so that Filipinos will have more and greater participation in the domestic and external trade, and in the economic life of the country, the successful implementation of these programs is also being strongly blocked by these foreign interests.

4. Natural Apathy of the People Towards National Integrated Economic Planning - It seems that we, as a people, including many of our leaders are not yet conditioned to accept the necessity and urgency of national programming. Many of us are still provincial in our thinking, many of us are individualistic or partisan in our approach to things in general. Our own individual group interests loom large in our view so that we are apt to consider that what is good for us individually or as a group should be good also

for the country. These attitudes are inimical to the requisite national discipline for the successful implementation of national programs.

From all the foregoing, it is clear that while the concept of planning was generally accepted, the plans have not actually received full governmental support and approval; their contents were not widely propagated and considered; and their implementation had at most been fragmentary and unsatisfactory. Deep-seated conditions in our society also militate against national planning. The plans and programs, therefore, have not really guided the conduct of economic development in the country. They have not truly shaped the policies and actions of the government in the promotion of economic development, and did not have real impact on economic growth. Our economic development has largely moved in a laisses-faire fashion, on a case-by-case basis, as determined by the balance of pressures applied. As a result, the direction of our efforts has not been clear; policies are inconsistent and changeable; resources are being wasted; the capabilities of our people are not fully utilized; our resources remain undeveloped; and the majority of our people remain in poverty. The stark reality is that we are being left behind in the forward march of mankind.

All these are shown vividly by the record of the past fifteen years described in the following chapter, which gives us our average growth in income per capita of 2.0% with 0.8% in 1965. Clearly, this situation can not and should not be allowed to continue. We must have a firmer direction of our economic and social development. The concept of planning as an idea is widely recognized and accepted by our politicians, leaders, and the enlightened members of the community. Experience in other countries has shown that planning is indispensable to real development and progress. It is therefore imperative that we persist in our efforts to make planning and implementation effective in our country, and that we work indefatigably to solve and overcome the problems and obstacles that confront us in this crucial endeavor.

The obstacles to planned development which are derived from our basic economic and political system are still deeply ingrained in our social and cultural attitudes and values and can not be corrected overnight. The process of change that will remove these impediments will take years of relentless struggle. Reforms in the educational system can contribute greatly to the proper reorientation of our people's values and attitudes towards change; and civic organizations with objective view will have to play a key role in the monumental undertaking to hasten the process of social transformation. The leaders of the nation from all sectors and at all levels must lead the way by example in this herculean effort. Progress is a pre-condition for further progress.

With respect to the specific handicaps which stem from the deficiency in methodology and organization these are suitable to easier and earlier solution. Under the present scheme, the legal responsibility for the formulation of an over-all aggregative program, the definition of economic policies and objectives and the setting of national production goals and targets is vested in the National Economic Council as the highest economic policy-determining body. Over the years, however, there arose wasteful duplication of efforts when some powers of the NEC were also vested in other agencies such as the Central Bank, the Budget Commission, and the Program Implementation Agency (now the PES). This resulted in the proliferation of agencies involved and the diffusion of responsibility for over-all economic planning.

Then, there is the very deficient, if not the total lack of planning activity and much less of continuity in planning, on the departmental and agency level where the task of implementation and detailed project planning has to be performed. A large majority of the operating departments and bureaus do not have planning units of their own. This makes these departments and agencies incapable of contributing realistic, substantial, and specific action programs that they will and can pursue within the overall aggregative program. The lack or shortage of such specific action programs makes it difficult to frame the national plan which will clearly involve the different agencies and make implementation by them inevitable and logical.

Then there is the multiplicity of bodies whose functions overlap and conflict and yet operate independently with the result that confusion ensues, and responsibility is diffused.

In the preparation of this program, very determined effort was exerted to gather all the ideas, projects, plans and programs from the various government operating agencies and from all known organizations, entities and groups in the private sector, and those submitted were duly incorporated in this program. However, these are altogether too few and inadequate to reflect a truly desirable blending and participation of all concerned in the complete planning process.

It is obvious, therefore, that far-reaching modifications in the planning process and organizational structure are urgently required. Apropos of this, we are including elsewhere in this program a reorganization proposal which will include the following features:

1. The establishment within the various operating departments of planning units which shall be responsible for the formulation of concrete and detailed plans from the vantage point of familiarity with their own needs and capabilities.

These planning units on the departmental level should work in very close coordination with the overall planning body described hereunder.

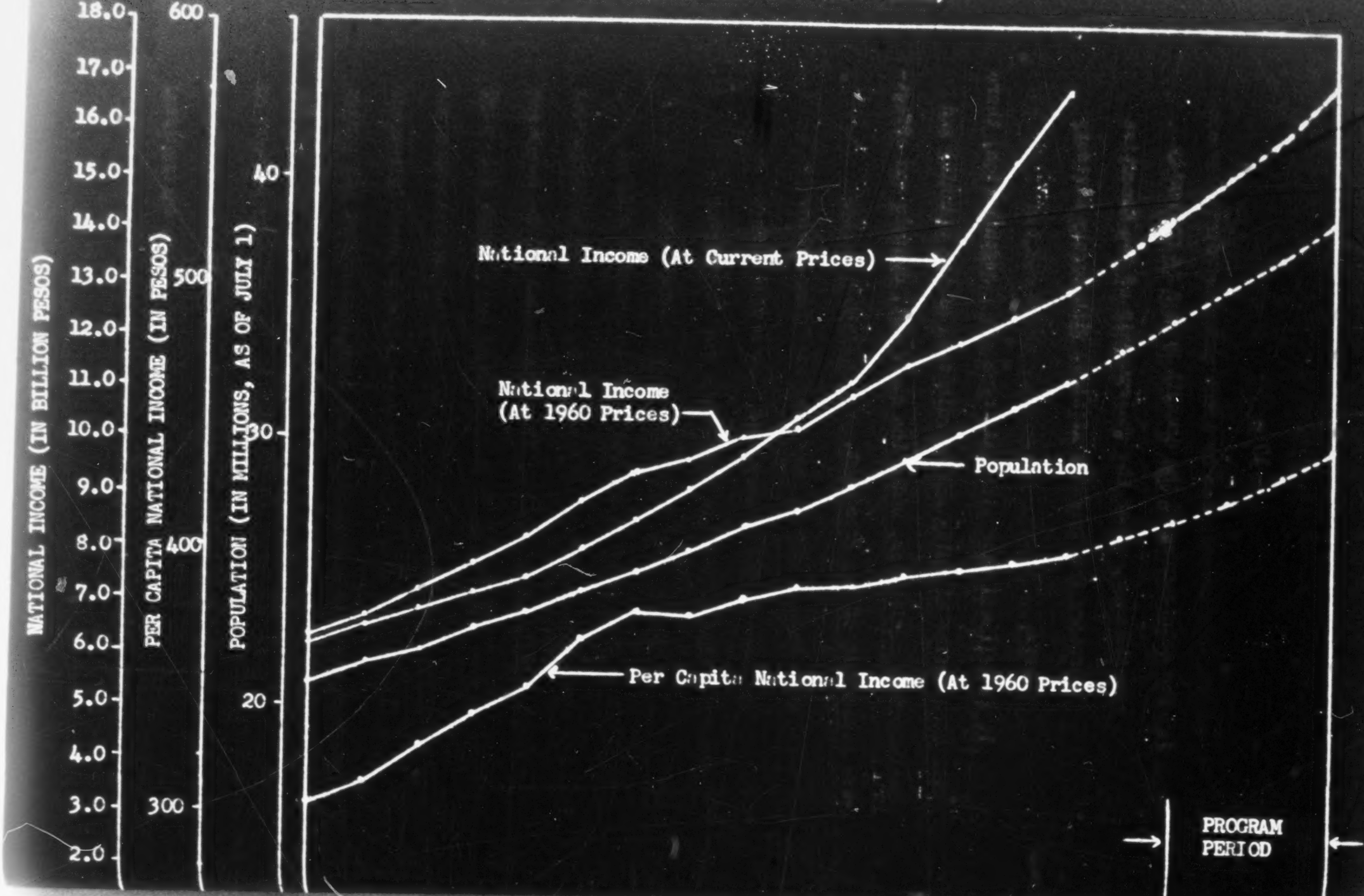
2. The consolidation of the NEC and the PES into a new Department of Economic Affairs headed by an Executive Secretary for Economic Affairs, directly under the Office of the President. Under the proposed set-up there shall be established a definite Office of Program Implementation (OPI) which shall take the place of the present PES. Close liaison with the private sector will be maintained thru a suitable section in this department.

In this connection, the first step which must be taken is the complete overhauling of the organizational structure and personnel of the technical staff of the planning organization. This will require the installation of an entirely new staffing and compensation pattern designed to attract and make possible the recruitment of highly-qualified men with experience, foresight, and imagination upon whom the crucial task of plotting out the country's future can be reposed. It may be necessary to provide these personnel higher salary scales and fringe benefits not lower than those offered by other public financial institutions and private industry.

3. The maintenance of the Council proper as presently constituted, under the chairmanship of the Executive Secretary for Economic Affairs, with purely advisory powers.

It is believed that with this type of organization, there will be better blending and coordination of the planning and implementing activities, under the clear-cut, dynamic and effective leadership of the President.

NATIONAL INCOME AND PER CAPITA NATIONAL INCOME
(At Current Prices and 1960 Prices)



Chapter II

THE PHILIPPINE SOCIO-ECONOMIC SITUATION

The performance of the economy during the last fifteen years (1951-1965) is presented hereunder as an integral part of the program in order that the economic goals sought to be achieved during the next four years may be better appreciated. Although the planning of future effort at economic development will not be influenced by the inadequate record of the past, it would be unrealistic to disregard the past levels of performance in setting the future targets of development. What is even more important is that the analysis of the circumstances that surrounded the process of economic expansion would provide a valuable lesson in the present planning effort.

Part of the economic determinant to past national growth were forces which were beyond human control, but the conditions that governed economic activity were largely shaped by man-made policies which include, among others, fiscal, monetary, foreign exchange and investment policies. A rational approach to planning must logically take into account the effect of these policies on the economy. The present review of the Philippine socio-economic situation, while presenting the general economic performance, analyzes the impact of the various measures and policies adopted by the government to influence the climate for economic activity.

The review likewise discusses the national resources in land, climate and people; the national income and its distribution, pattern of industrial growth and the utilization of the national product. It then treats the Government's fiscal operations and policies, consisting of government spending, taxation and public borrowing; the monetary and credit operations and policies, including among others, its internal and external debts; price movements, employment and wages. Finally, the review compares the Philippine economy with those of other developing countries of the ECAFE region.

The Philippines is a tropical island republic of 32 million population, a land of infinite variety and great hopes for the future. Geographically, it is a part of the Malayan world. It includes some 7,100 islands extending 1,200 miles from 5° north of the equator. The total territory of the Philippines has an area of 694,490 square miles, but the actual land surface is 115,839 square miles. The two principal islands, Luzon and Mindanao, containing about two-thirds of the total land, have substantial plains girded by mountains and drained by large rivers. Nine other islands following in importance range in size from 1,250 to 5,000 square miles.

Climate The Philippines being entirely within the tropics has a mean annual temperature of about 80°F. Rainfall averages about 80 inches a year in the lowlands. In most of the Philippines the rainy season occurs from May to November. From about June to October the Philippines with the exception of Mindanao is visited occasionally by typhoons which often cause tremendous damage.

Natural Resources About 60 percent of the land surface is forested, and the forest industry is now a very important one. The most valuable indigenous plant is the abaca, or Manila hemp, which is made into rope. Mangrove trees and nipa palms grow in coastal swamps. The most important animal is the carabao which is the main beast of burden in the farms.

The principal mineral resources are gold, iron, copper, manganese and coal. Other minerals include silver, lead, asbestos, mercury and uranium.

About 25 percent of the land is under cultivation. The most important crops are rice, corn, sugar, coconut, tobacco, and bananas. In the northern islands the soil is chiefly of volcanic origin; coral limestone is an important constituent of the soil in the southern islands. In general, the soil is of poor quality.

Population According to the census of 1960, the population of the Philippines was 27,087,685. The rate of population growth is very high, and in 1965, the estimated population was about 32,345,000. The average population density is 279.2 persons per square mile, but large areas are virtually uninhabited. Some inhabited areas have more than 500 persons per square mile. Metropolitan Manila, including Quezon City and Pasay, has an estimated population (1965) of 2,535,700.

The following table shows the distribution of the population by age and sex according to the census of 1960. (Table II.1 on next page) The active population of 1965 was 11,491,000 and is increasing annually at the rate of about 3 percent. The active population is 35.5 percent of the total population. The median age of the population, according to the 1960 census, was 17.1 years. Presently, people under 21 years comprise 61.2 percent

Table II.1 - POPULATION BY AGE AND SEX: 1960[a]

Age in years	Total	Male	Female
All ages	27,087,685	13,662,869	13,218,816
Under 5	4,572,415	2,354,038	2,218,377
5 – 14	7,804,825	4,020,558	3,784,267
15 - 24	5,272,929	2,578,941	2,693,988
25 - 34	3,509,800	1,717,346	1,792,454
35 - 44	2,527,452	1,248,961	1,278,491
45 - 54	1,742,782	889,992	852,790
55 - 64	918,844	484,180	434,654
65 & over	738,648	368,853	369,795

a/ - Population Census, 1960

Source: Summary, Census of the Philippines, 1960, p. 9

of the total population, emphasizing its young character, and the heavy dependency burden on the relatively small active population for support.

Unemployment in 1965 was at a high 947 thousand or 8.2 percent of the labor force and was apparently rising which, together with the new entrants numbering about 300,000 every year, may raise the total unemployed over the one million level in the succeeding year.

Capital Aside from the natural resources and population, discussed above, the next factor of production is capital. The growth of the economy depends to a large extent upon investment - that is, upon the capital devoted to production. The amount of capital investment depends upon the amount of savings that the nation can mobilize over the years - savings already realized in the past, and the savings which will be borrowed from the future. While financial institutions have proliferated in the urban and rural areas, and the techniques for mobilizing savings have improved, capital formation still remains inadequate because of the very low per capita income of the people.

According to the estimates elsewhere in this study, capital formation for the year 1951 at 1960 prices was ₱613 million and for the year 1965 it was ₱1,776 million.

Private Entrepreneurship The entrepreneur, the propulsive force in all activities, plays a major and vital role in economic development, where expansion is geared to the mechanism of the market and the influences generated by acts of government and private enterprise. The initiative of the entrepreneur, is, therefore, the dynamic element of economic growth.

In the Philippines, private entreprenourship is in the state of infancy, and there are many factors which tend to block or discourage its development. However, in the decade of the fifties, the shelter of controls had given it momentum which the difficulties of the last four years could not totally extinguish. During the past ten years, 81,796 new enterprises were organized, of which 16,507 were industrial, 45,215 commercial, and 17,459 were of the public utilities type.

National Production and Income With the factors of production, described above, the productive process evolved and provided the nation its supply of goods and services. This can be appreciated in its entirety through the medium of the gross national product and national income. The GNP is the sum total of production minus the intersectoral transactions, giving the sum of the goods and services usable for consumption, for investment or for expert. If from the GNP the allowance for depreciation of the capital equipment and the indirect taxes are deducted, the National Income is the result.

The national income accounts may not exactly provide the "true" measure of the magnitudes in terms of values of the different items included in the accounts: they do indicate nevertheless the relative positions of these different items with respect to each other and to the whole. When these accounts are prepared consistently from year to year, they do show the approximate level of magnitudes, the trends and the directions of relative growth of the different sectors and elements of the economy and, as the case may be, raise danger signals of decline or stagnation.

The following table shows the gross national product, the national income, the percent increase in national income, the national income per capita, at current and at 1960 prices, over the past fifteen years.

Table II.2 - GROSS NATIONAL PRODUCT, NATIONAL INCOME AND PERCENTAGE INCREASE, AND NATIONAL INCOME PER CAPITA: FY 1951-1965

(At current and at 1960 prices in million pesos)

Fiscal year	At current prices				At 1960 prices			
	GNP value	National income		National income per capita	GNP value	National income		National income per capita
		Value	Percent increase			Value	Percent increase	
1951	6,996	6,205	9.0	297	7,156	6,325	6.4	303
1952	7,443	6,520	5.1	303	7,640	6,685	5.7	310
1953	7,761	6,784	4.0	306	8,267	7,212	7.9	325
1954	8,086	7,080	4.4	310	8,808	7,686	6.6	336
1955	8,429	7,385	4.3	313	9,394	8,184	6.5	347
1956	9,047	7,956	7.7	327	9,998	8,870	8.4	365
1957	9,699	8,526	7.2	341	10,472	9,383	5.8	375
1958	10,338	9,100	6.7	353	10,919	9,647	2.8	374
1959	11,027	9,722	6.8	366	11,474	10,141	5.1	381
1960	12,748	10,306	6.0	376	11,966	10,559	4.1	385
1961	12,779	11,170	8.4	395	12,478	10,923	3.4	386
1962	14,202	12,354	10.6	422	13,057	11,422	4.6	390
1963	16,071	13,881	12.4	459	13,634	11,888	4.1	393
1964	17,978	15,444	11.3	494	14,267	12,394	4.3	396
1965	19,530	16,663	7.9	515	14,344	12,918	4.2	399

Source of basic data: National Income Branch, OSCAS, NEC

It will be noted that the national income in real terms had a steep rise in the early 1950's, averaging at 6.6 percent for 1951 to 1954. This is attributable to the full restoration of the pre-war productive capacities of the traditional export industries, the continued flow of war damage payment, the particularly strong world market position of the country's premier export crop, copra, over the period; and the relatively high levels of foreign exchange reserves. For purposes of economic planning the factors responsible for the rapid economic growth during the first half of the 1950's cannot obviously be duplicated since they were inherent in a period of post-war recovery.

Growth was also stimulated by the rapid industrialization, promoted by tax exemption, imports and exchange controls, direct promotion by the government of large power projects and basic industrial enterprises, and liberal financial assistance to the private sector.

Thereafter, the rate of growth diminished to 5.9 percent average over 1955 to 1958. The growth during this period was largely attributed to the continued expansion of the manufacturing sector with the index of the physical volume of production increasing by more than 54.6 percent above the 1955 level brought by liberal credit, tax exemption, substantial dollar allocation and tariff protection to industries which ranked high in the scale of industrial priority. Despite this substantial expansion of the manufacturing sector the overall growth of the gross national product still declined.

From FY 1959 to FY 1965, the national income rate of growth dropped to an average of 4.2 percent. This phenomenon was indicative of the further slackening tempo of economic growth, the weakening of the industrial investment interest among entrepreneurs because projects were becoming increasingly difficult and expensive, the lowering of foreign exchange reserves, and the increasing black market price of the dollar and the termination of the application of Republic Act 901, otherwise known as the Tax Exemption Law. From 1962 to 1965, there were the additional dampening factors of the decontrol and rising prices and wages, tight credit, higher interest rates, smuggling, oppressive competition, and slackening of industrial production, and decadent government administration. There were also typhoons and floods which hampered agricultural production.

It appears that the policies pursued during the last six years (1959 - 1965) which were unfavorable to economic development were practically the opposite of those adopted to accelerate industrial growth from 1957 to 1958.

In FY 1962, the total output of final goods and services at 1960 prices, was ₱13,057 million. This supply rose to ₱14,944 million in FY 1965, or a cumulative annual rate of a little above 4 percent. During the same period, the average growth of population was 3.2 percent, hence per capita national income increased by only 0.9 percent. In absolute terms these increases were extremely minimal and the pace of growth was insignificant to improve the level of living of the people and to induce a more favorable mobilization of savings for investment. While the effect of external factors tended to raise the total supply of available resources, domestic production was not as expensive as that of the preceding decade. As shown also elsewhere in this report, the growth was confined mainly to certain sectors of the economy, while others remained relatively at a standstill.

Income Distribution It is thus noted that the national income per capita is not only very low, but that its growth over the years has been at a very minimal pace, and during the last three years, it has remained almost stationary indicating a declining trend unless corrective measures are applied.

As accepted goal of economic development is an improvement in the pattern of income distribution even as aggregate national income is increasing. The income per capita obtained by dividing the national income by the population does not reflect the true levels of welfare of the masses. The equitability or inequitability of income distribution can be shown by determining population distribution by income levels.

The family income distribution in the Philippines by ordinal groups of households for 1956 and 1961 is shown in the following table.

Table II.3 - FAMILY INCOME DISTRIBUTION IN THE PHILIPPINES BY ORDINAL GROUPS OF HOUSEHOLDS 1956 and 1961

(Percentage(

Households Or Families	1956 Rural	1956 Urban	1956 All	1961 Rural	1961 Urban	1961 All
Top 5 percent	18.4	19.4	27.0	20.2	28.5	28.9
Top tenth	29.8	39.0	39.3	31.0	40.9	40.9
2nd tenth	16.2	15.9	15.6	15.8	16.1	15.5
3rd tenth	12.2	11.2	11.2	11.8	11.2	10.7
4th tenth	9.9	9.1	8.3	10.2	8.3	8.4
5th tenth	8.6	7.2	7.1	7.3	6.5	6.8
6th tenth	6.2	5.2	5.8	6.1	5.7	5.1
7th tenth	6.2	4.9	4.2	6.1	4.2	4.1
8th tenth	4.2	3.5	3.8	5.7	3.3	4.1
9th tenth	3.9	2.6	2.6	3.0	2.5	2.6
Bottom tenth	2.8	2.4	2.1	3.0	1.3	2.0

SOURCE OF BASIC DATA: PSSH Bulletins Series No. 4 and 14.

From the foregoing table, it appears that the percentage share of the top 5 percent of all households in terms of income levels rose from 27 percent in 1956 to 28.9 in 1961. The lowest income groups received a declining share of the income. There is no evidence that this trend has changed since 1961.

Sources of National Income The pattern and distribution of national income for the different sectors as well as its growth over the last fifteen years are presented in the following tables. The change in the structural pattern of the economy aimed under the Program will be better understood from an analysis of this table which shows an unduly heavy share of trade, utilities and services including government services.

Table II.4 - NATIONAL INCOME BY INDUSTRY: FY 1951-FY 1965

(At 1960 prices in million pesos)

Fiscal year	National income	Agriculture	Industry	Construction	Trade utilities & services
1951	6,325	2,659	839	256	2,511
1952	6,685	2,863	941	243	2,638
1953	7,212	3,132	1,033	255	2,792
1954	7,686	3,382	1,146	253	2,905
1955	8,184	3,531	1,273	261	3,119
1956	8,870	3,617	1,449	310	3,494
1957	9,383	3,633	1,618	354	3,778
1958	9,647	3,487	1,739	361	4,060
1959	10,141	3,515	1,868	352	4,406
1960	10,559	3,605	1,967	346	4,641
1961	10,923	3,618	2,057	389	4,859
1962	11,422	3,770	2,180	410	5,062
1963	11,888	3,920	2,306	430	5,232
1964	12,394	3,967	2,466	469	5,492
1965	12,918	4,021	2,589	494	5,814

Source of basic data: National Income Branch, OSCAS, NEC

Between 1951 and 1955, agriculture exhibited a vigorous growth, averaging about 7.0 percent. This followed the complete rehabilitation of productive facilities destroyed during the war and the injection of additional investment outlays. The strong demand for agricultural products during the Korean war was also a contributing factor. From 1956 to 1959, however, there was a marked decline which could be traced to the decrease in foreign demand and the severe drought in 1957. Hard hit was coconut production. Exchange and import controls, likewise, tended to affect adversely agricultural export incomes as price and cost

Table II.5 - GROWTH RATES OF NATIONAL INCOME BY INDUSTRY
FY 1951-FY 1965

(Based on values at 1960 prices)

Fiscal year	National income	Agriculture	Industry	Construction	Trade utilities & services	Gross national product
1951	6.4	9.8	19.7	(11.4)	1.5	7.0
1952	5.7	7.7	12.2	(5.1)	2.6	6.8
1953	7.9	9.4	9.8	4.9	5.8	8.2
1954	6.6	8.0	10.9	(0.8)	4.0	6.5
1955	6.5	4.4	11.1	3.2	7.4	6.7
1956	8.4	2.4	13.8	18.8	12.0	6.4
1957	5.8	0.4	11.7	14.2	8.1	4.7
1958	2.8	(4.0)	7.5	2.0	7.5	4.3
1959	5.1	0.9	7.4	(2.5)	8.5	5.1
1960	4.1	2.6	5.3	(1.7)	5.3	4.3
1961	3.4	0.4	4.6	12.4	4.7	4.3
1962	4.6	4.2	6.0	5.4	4.2	4.6
1963	4.1	4.0	5.8	4.9	3.4	4.4
1964	4.3	1.2	6.9	9.1	5.0	4.6
1965	4.2	1.4	5.0	5.3	5.9	4.7

Source of basic data: ibid

in the domestic economy continued to rise while export proceeds were paid at the rate of ₱2 to $1.

The vagaries of the weather and other calamitous events caused output to grow at a slow pace thereafter, though the decline in 1961 is attributed principally to the speculative atmosphere that preceded the lifting of exchange control in 1962. Between 1963 and 1965 - in two years - the rate of growth was only 2.6 percent. This was due to natural disasters together with other depressive influences which resulted in sizeable cutbacks in the production of the major export crops, counter-balanced to some degree by price improvement abroad, although the production of food crops went up.

The slow rate of growth in the agricultural sector may be attributed to: (a) the primitive state of Philippine agriculture - antiquated practices, (b) lack of irrigation, (c) shortage of credit, (d) inadequacy of fertilizers and pesticides, (e) deficiency of transport and marketing, (f) an obsolete land tenure system, (g) a very ineffective governmental agricultural administration, and (h) the fact that the country is dependent on foreign markets where it has to contend with quotas, high tariffs and other restrictions.

Industry received every encouragement for a decade since 1951. The import and exchange control policies, tax exemptions, liberal credit, tariff protection and barter privileges, all worked to provide impetus to industrial development. Thus, the sector grew in income at an average rate of 10 percent between 1951 and 1962. Due to this rapid advance in industry, its relative share in the gross national product vis-a-vis agriculture was substantially improved, indicating a definite move away from our previous heavy dependence on agriculture and our few primary agricultural exports. Contributory to the attainment of this rate of growth were the rapid increase in the production of electricity and the substantial increase in fuel.

Industry was subjected to severe repressive conditions during the 1962 to 1965 period. The effect of decontrol which increased the capital and operating requirements of industries on the one hand, coupled with tight credit policy instituted by the government on the other, resulted in a tight squeeze greatly prejudicial to the industrial enterprises. The growth of smuggling together with massive importation of consumer goods dumped from abroad subjected local industrial enterprises to severe competition resulting in reduced sales volume and reduced prices of local manufactured goods. The additional cost imposed by government corruption from thievery and "tongs" contributed to increased cost. The all-out encouragement to foreign enterprises subjected local producers to a competitive disadvantage from foreign enterprises. Statistics show that industry operating under the inertia of the pre-decontrol period was able to withstand the transitional difficulties initially but finally bent over in 1965 when the output of this sector increased by only 5.0 percent compared to that registered in 1964. Considering that the high growth of electricity and fuel production is included in this figure, this indicates that the manufacturing sector actually deteriorated.

In the construction sector, the growth rates were rather erratic, which is characteristic of this sector. The growth was negative for a number of years from 1951 - a wholesome reaction to the feverish rehabilitation and expansion since after the war to 1949, which in a way contributed to the precipitation of the near crisis of that year. Thereafter, the sector rallied attaining a growth rate as high as 18.8 percent in 1956, 14.2 percent in 1957 and 12.4 percent in 1961.

In the last three years, the growth was still substantial, This was at 4.9 percent in FY 1963, 9.1 percent in FY 1964. The substantial rise in the construction activities in 1964 may be largely attributable to the windfall profits realized by exporters and producers of dollar earners like sugar, logs, and copra and to the income redistribution effects of decontrol, the illicit gains of smugglers and racketeers, which by and large found their way into speculative real estate and to the construction of residences, apartment houses, and office buildings. The upsurge in the income from construction, however, tapered off in FY 1965 to 5.3 percent growth only. On the other hand, the contribution of this sector to the gross national product is very small, averaging only about 3-1/2 percent so that its high rate of growth has so far not produced a significant impact on the economy.

The trade and services sector contributes about 44.2 percent to the total national product which is quite high compared with those in other countries. This indicates the unbalanced character of the national economy. The large share of this sector is due to the contribution of trade which accounted to slightly over ₱2 billion and of Government services which accounted for ₱1.7 billion of the national income in 1965. The rental value of owner-occupied dwellings has also contributed to the share of the trade, utilities and services sector. It may also be noted that 8.3 percent of the income in this sector pertains to transport and communication which accounts for 3.5 percent of the gross national product. As will be noted elsewhere in this report this is due to the expansion of transport by land which progressed substantially during the period under review.

National Expenditures. The pattern of distribution of the national expenditures among the different sectors as well as their growth rates over the past fifteen years is presented in the following tables: Table II.7 presents gross national product expenditures and components for fiscal years 1951 to 1965 at 1960 prices and Table II.8 gives percentage growth rates of gross national expenditures and components for fiscal years 1951 to 1965 at 1960 prices.

Table II. 6 - GROSS NATIONAL (PRODUCT) EXPENDITURES AND COMPONENTS: FY 1951 - 1965

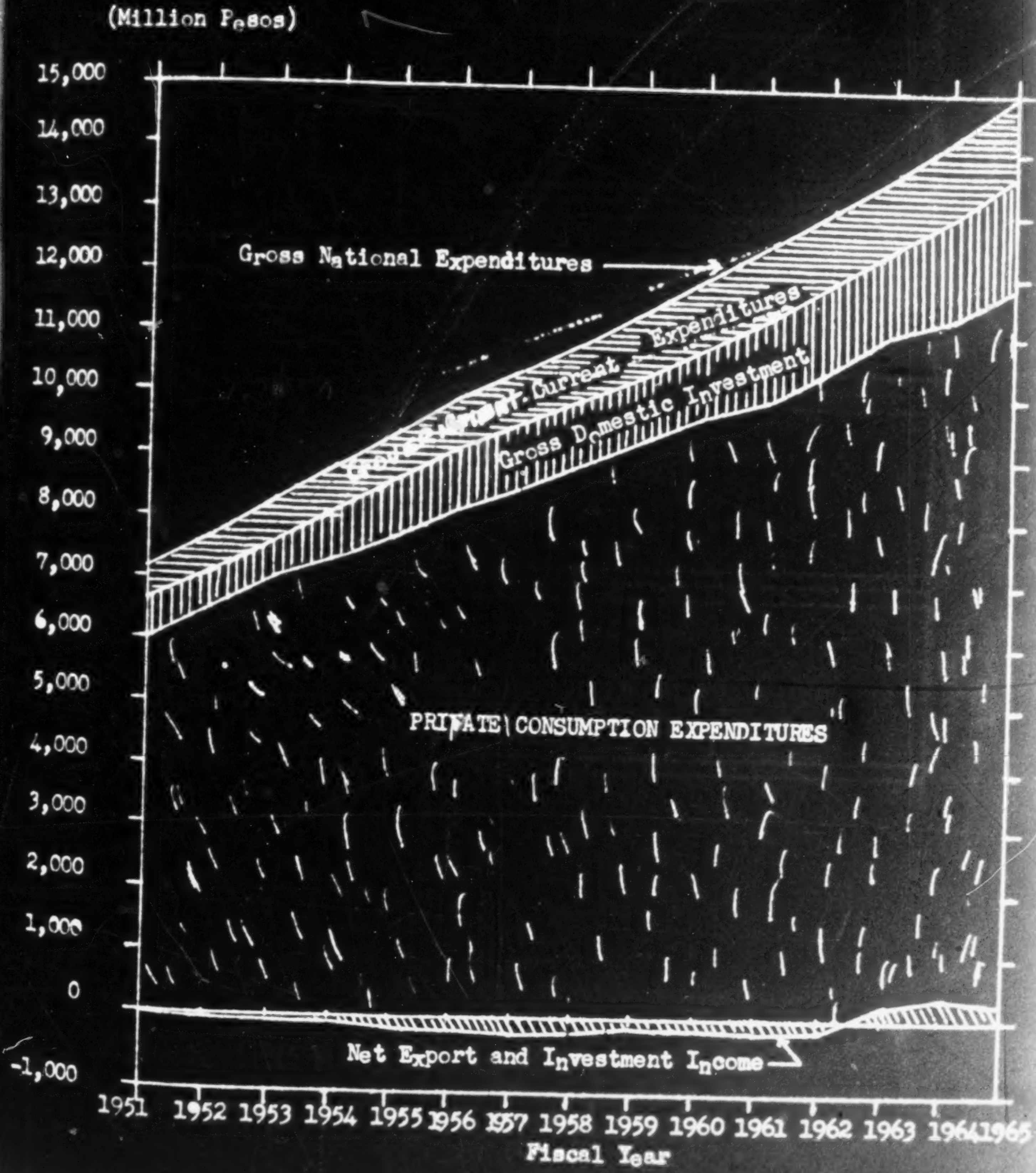
(At 1960 prices in million pesos)

Year	Gross national expenditures	Private consumption expenditures	Gov't. current expenditures	Gross domestic investment	Net export & investment income
1951	7,156	6,012	527	613	4
1952	7,640	6,600	588	521	(69)
1953	8,267	7,095	668	584	(80)
1954	8,808	7,481	716	730	(119)
1955	9,394	8,001	777	863	(247)
1956	9,998	8,433	852	942	(229)
1957	10,472	8,794	905	1,030	(257)
1958	10,919	9,159	985	1,056	(281)
1959	11,474	9,503	1,090	996	(115)
1960	11,966	9,936	1,112	1,095	(177)
1961	12,478	10,250	1,112	1,327	(211)
1962	13,057	10,676	1,158	1,346	(123)
1963	13,634	10,844	1,198	1,349	243
1964	14,267	10,976	1,252	1,638	401
1965	14,944	11,549	1,293	1,776 15.566	326

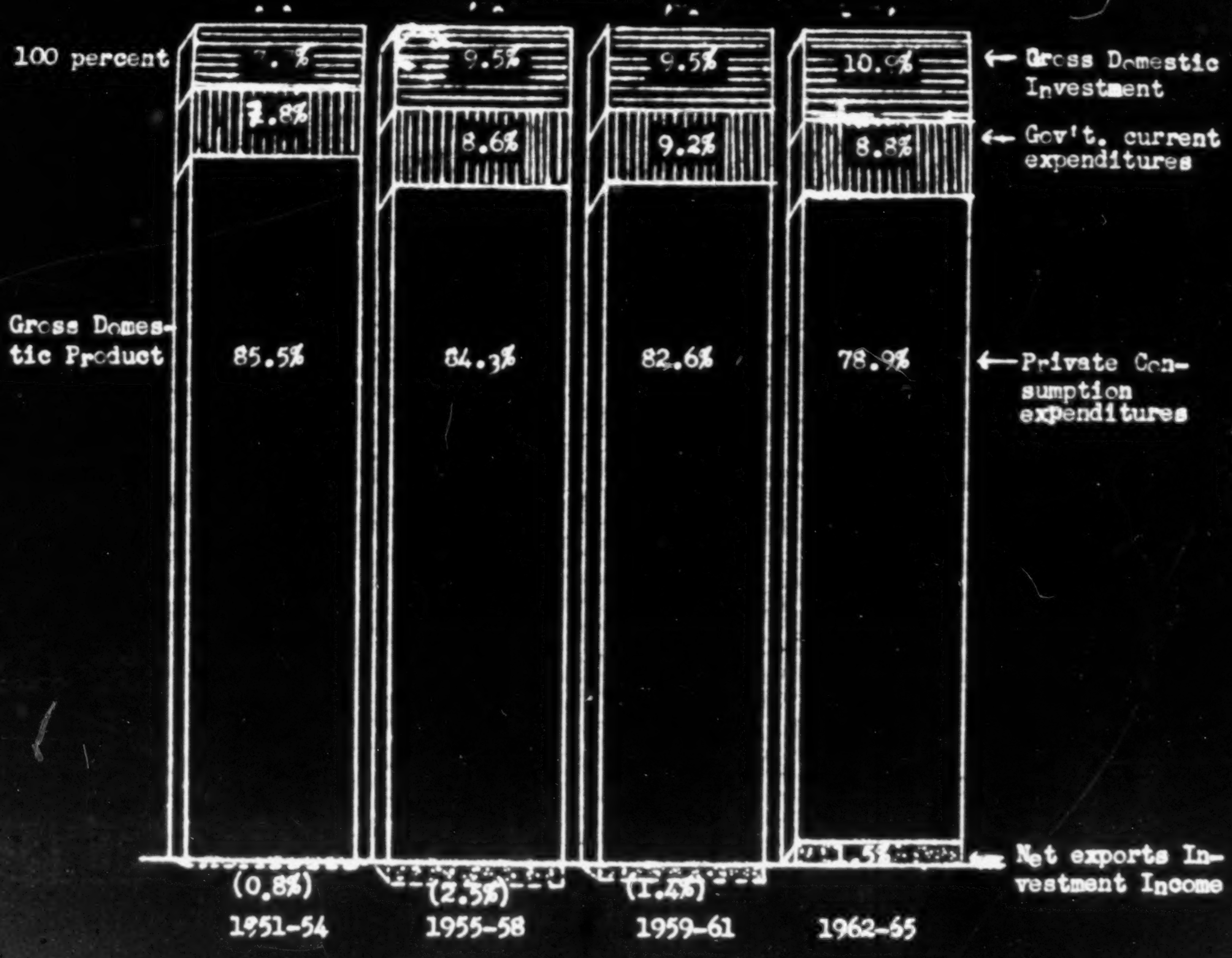
Source of basic data: National Income Branch, OSCAS, NEC

The gross national expenditures at 1960 prices more than doubled from ₱7,156 million in 1951 to ₱14,944 million in 1965, although it increased at a progressively declining rate on an average annual increase of 7.1 percent during 1951-54 to 4.5 percent in 1962-65. One of the significant changes in the pattern of gross national expenditure over the same period was the progressive decline from 85.5 percent in 1951-54 to 78.8 percent in 1962-65 of private consumption expenditure while the government current expenditure was increasing. On

GROSS NATIONAL (PRODUCT) EXPENDITURES
AND COMPONENTS, FY 1951-65
(At 1960 Prices in million Pesos)



PERCENT DISTRIBUTION OF GROSS NATIONAL PRODUCT
BY EXPENDITURES BY SELECTED PERIODS
(At Constant price)



Selected Period (Fiscal Year)

the other hand, with the exception of the period of 1951-54 when the gross domestic investment averaged only about 7.7 percent of the total expenditures, this was maintained between 9.5 percent in 1955-61 and 10.9 percent in 1962-65. Equally significant was the change in the contribution of net exports and investment income which shifted from a consistently negative value, over a decade from 1951 to 1962 to a positive amount for 1963 and 1965.

Table II.7 - PERCENTAGE DISTRIBUTION OF GROSS NATIONAL PRODUCT (EXPENDITURES) BY EXPENDITURES AND COMPONENTS
FY 1951 - 1965
(At 1960 prices)

	Gross national product (expenditures)	Private consumption expenditures	Gov't. current expenditures	Gross domestic investment	Net export and investment income
1951	100.0	84.0	7.4	8.6	0.1
1952	100.0	87.2	7.7	6.8	(0.9)
1953	100.0	85.8	8.1	7.1	(1.0)
1954	100.0	84.9	8.1	8.3	(1.4)
Average		85.5	7.8	7.7	(0.8)
1955	100.0	85.2	8.3	9.2	(2.6)
1956	100.0	84.3	8.5	9.4	(2.3)
1957	100.0	84.0	8.6	9.8	(2.5)
1958	100.0	83.9	9.0	9.7	(2.6)
Average		84.3	8.6	9.5	(2.5)
1959	100.0	82.8	9.5	8.7	(1.0)
1960	100.0	83.0	9.3	9.2	(1.5)
1961	100.0	82.1	8.9	10.6	(1.7)
Average		82.7	9.2	9.5	(1.4)
1962	100.0	81.8	8.9	10.3	(0.9)
1963	100.0	79.5	8.[illegible]	9.9	1.8
1964	100.0	76.9	8.8	11.5	2.8
1965	100.0	77.3	8.7	11.9	2.2
Average		78.8	8.8	10.9	1.5

Note: Components may not add up to totals because of rounding.

Source of Basic data: ibid

The Public Sector Government fiscal operations expanded substantially from 1951 to 1965. The total receipts and expenditures rose by about 213 percent and 220 percent, respectively. The public sector plays a dual role of both a consumer and a producer. Its influence in the national economy, generally exerted through policy formulation and implementation or through direct participation in economic activities by producing goods and services, affects the market mechanism, modifies the allocation of resources, changes the behavior of prices, and alters the trends of forces operating in the economy.

The over-all picture of the public sector transactions may be seen in Table II-8.

It may be noted that some of the major components of the public sector operations did not expand at the same time with the others during the same period. Tax receipts increased by 224 percent while non-tax receipts showed a much slower growth of 45 percent, but it expanded faster than salaries and wages. Capital formation showed the greatest rise with an increase of 688 percent.

Table II. 8 - INCOME EXPENDITURES, SAVINGS AND INVESTMENT IN THE PUBLIC SECTOR: SELECTED FISCAL YEARS

(At 1960 prices in million pesos)

	1951	1955	1959	1960	1961	1962	1963	1964	1965
Transfer receipts									
Tax receipts	571	886	1,189	1,269	1,357	1,459	1,570	1,695	1,851
Non-tax receipts	38	44	84	79	67	67	62	57	55
Sub-total	609	930	1,273	1,348	1,424	1,526	1,632	1,752	1,906
Transfer payments	37	46	82	103	106	126	153	148	139
Disposable income	572	884	1,191	1,245	1,318	1,400	1,479	1,604	1,767
Current expenditures on goods and services	527	777	1,090	1,112	1,112	1,158	1,198	1,252	1,293
Savings out of transfer receipts	45	107	101	133	206	242	281	352	474
Capital formation[a]	80	160	151	250	329	298	325	434	630
Net increase (/) or decrease (-) in cash & claims	(35)	(53)	(50)	(117)	(123)	(56)	(44)	(82)	(156)

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[a] - Government savings or capital formation assumed to be equal to government investments and is inclusive of net donations from abroad.

SOURCE: The National Income and Product of the Philippines
National Income Branch, OSCAS, NEC

The considerable expansion in the volume of government spending could be attributed to several factors, most important of which could be the expansion of services required by the growing population and the assumption of greater responsibilities by all governmental authorities from 1951 onwards. In the early fifties, with the critical condition of the economy which necessitated the setting up of import and exchange controls, the government became development-conscious and began to play a relatively broad role in the direction of economic and social development. Consequently, an increasing percentage of the total income of government had to be allocated not only to maintain and expand governmental facilities but also to provide the broader base for private sector investments by creating the necessary social overhead facilities.

As early as 1954, a widening and deepening government investment program was set up in hydro power and energy facilities, fertilizer plants, steel and ship production, increasing the road network and port facilities, improving the health services, expanding the educational facilities and increasing agricultural production. Local governments to some extent pursued similar investment objectives within the limits of their resources.

It is significant to note that during the period of accelerated production and income of individuals and business, tax receipts of government also rose substantially. The tax receipts expanded with the growth of the national income and with the rise in prices. Moderate increases in the tax rates were introduced during the period, but tax exemption for some industries about nullified the increases.

Transfer payments which increased by 276 percent for 1951 to 1965 grew faster than the government's disposable income (209 percent). These payments are a continuing drain on the government's finances, and when considered against the steadily rising losses of some quasi-agencies and corporations, constitute a serious and heavy problem.

Current expenditure on goods and services rose by about 145 percent during the period 1951-1965. Some savings out of income were realized but were inadequate to cover capital outlays, consequently, all through the years deficits were incurred. The substantial capital outlays reflected the new direction of government policy towards accelerating the rate of economic and social development.

It is interesting to observe that at every national election year, a heavy over-all deficit appears compared to non-election years. Capital expenditures also tend to rise.

However, in-between elections the capital outlays tend to level off or diminish in order to compensate for the wild expenditures during election years and in a show of effort to balance the budget. Heavy deficits recurred between 1962 and 1965 which could be attributed to the payment of subsidies and in the late years to the heavy importation of rice and other consumer goods for stabilization and other purposes. Deficits were largely financed by advances or currency issues of the Central Bank. Borrowing, currency issues and the deposits with the commercial banks of government trust funds, led to the increased liquidity of the banking system and laid the basis for the expansion of commercial credit. The result was to generate the inflationary pressures which were aggravated by external influences with the improvement in world market prices of export products. This was followed by counter measures among which was the withdrawal of government deposits in the banking system partly to support the heavy governmental financing of rice and other consumer goods importation, which had the effect of virtually choking the private sector.

The variation of the public sector transactions in relation to the national income as shown in Table II.11 reflects the picture of the demand of government on the flow of goods and services in the economy. The growth experienced by the public sector expenditure from 1951 to 1965 fairly indicates the increased participation and growing significance of the public sector in the economy.

Government consumption expenditure showed a moderate but steady rise relative to national income from 8.3 to 12.9 percent. It is to be noted that about two-thirds of the total current expenditures went to salaries and wages throughout 1951-1965. Since government salaries and wages lagged behind the growth of the over-all government expenditures, the rate of expansion of government consumption expenditures in relation to national income may be traceable to the substantial increases in other types of expenditures rather than salaries and wages.

Transfer payments steadily advanced relative to personal income from 0.6 to 1.1 percent. This reflects the official policy of greater social benefits for the community and the changing important role played by the government in the redistribution of income.

The effect upon the economy of the relative growth in the public sector is seen clearly by changes in government capital formation in relation to the aggregate capital formation which increased from 13.1 in 1951 to 35.5 percent in 1965.

Capital formation of government rose in absolute terms by 688 percent in 1965 above the 1951 level while for the whole economy the increase was only 190 percent over the same period. The volume of capital outlays tended to decline for the years 1957 to 1959 and fluctuated thereafter ranging from a low ₱250 million in 1960 to ₱630 million in 1965. The changes in annual increments in the government capital outlays, despite the relative increases in total expenditures, may be traceable to changes and shifts in governmental policy in favor of current consumption.

It might be useful to emphasize at this point the vital contribution of the private sector to over-all growth of capital formation in the country during the last 10 years.

This growth of capital formation in the private sector was paced mainly by investments of private enterprises which more than doubled from ₱533 million in 1951 to ₱1,146 million in 1965[a/] or an increase of 115.0 percent for the 15-year period.

[a/] Government savings or capital formation are assumed to be equal to government investments or capital outlays inclusive of net donations from abroad; private capital formation is the different between gross domestic investment and government investments.

Table II.9 - PUBLIC SECTOR TRANSACTIONS IN RELATION TO NATIONAL INCOME: FY 1951-1965
(At 1960 prices in percentages)

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Public sector expenditures to national income	10.2	11.9	11.9	11.6	12.0	12.0	12.6	13.1	13.0	13.9	14.2	13.9	14.1	14.8	16.0
Public sector receipts to national income	9.6	11.2	11.2	11.0	11.4	11.3	11.9	12.6	12.6	12.8	13.0	13.4	13.7	14.1	14.8
Current purchases of goods services to national income	8.3	8.8	9.3	9.3	9.5	9.6	9.6	10.2	10.7	10.5	10.2	10.1	10.1	10.1	10.0
Transfer payments to personal income	.6	.6	.6	.6	.6	.5	.6	.7	.8	1.0	1.0	1.1	1.3	1.2	1.1
Government capital formation[a] to aggregate capital formation	13.1	31.9	25.7	18.6	18.5	17.9	22.1	20.6	15.2	22.8	24.8	22.1	24.1	26.5	35.5
Direct tax receipts to national income	1.9	2.3	2.2	2.1	2.3	2.5	3.1	3.6	3.7	3.8	3.9	4.0	4.1	4.1	4.2
Personal income tax receipts to personal income	1.3	1.5	1.3	1.1	1.3	1.6	2.1	2.7	2.6	2.3	2.3	2.2	2.1	2.1	2.3
Indirect tax receipts to national income	7.1	8.4	8.6	8.5	8.5	8.2	8.2	8.2	8.0	8.3	8.5	8.7	9.1	9.5	10.1

[a] Government savings or capital formation are assumed to be equal to government investments inclusive of net donation from abroad.

Source: The National Income and Product of the Philippines, National Income Branch, OSCAS, NEC

Table II.10 - GOVERNMENT EXPENDITURES AND THEIR GROWTH RATES
FY 1951 - 1965

(At 1960 prices in million pesos)

Fiscal Year	Total	Percent	Government current expenditures (goods and services): Total	Percent	Salaries & wages	Percent	Others	Percent	Transfer payments	Percent	Capital outlays a/	Percent
1951	644	14.0	527	6.7	420	0.7	107	40.8	37	8.8	80	110.5
1952	793	23.1	588	11.6	470	11.9	118	10.3	39	5.4	166	107.5
1953	857	8.1	688	13.6	555	18.1	113	(4.2)	39	–	150	(9.6)
1954	894	4.3	716	7.2	616	11.0	100	(11.5)	42	7.7	136	(9.3)
1955	983	10.0	777	8.5	681	10.6	96	(4.0)	46	9.5	160	17.6
1956	1,066	8.4	852	9.7	733	7.6	119	24.0	45	(2.2)	169	5.6
1957	1,186	11.3	905	6.2	738	.7	167	40.3	52	15.6	229	35.5
1958	1,268	6.9	985	8.8	753	2.0	232	38.9	65	25.0	218	(4.8)
1959	1,323	4.3	1,090	10.7	799	6.1	291	25.4	82	26.2	151	(30.7)
1960	1,465	10.7	1,112	2.0	796	(0.4)	316	8.6	103	25.6	250	65.6
1961	1,547	5.6	1,112	!	760	(4.5)	352	11.4	106	2.9	329	31.6
1962	1,582	2.3	1,158	4.1	773	1.7	385	9.4	126	18.9	293	(9.4)
1963	1,676	5.9	1,198	3.5	812	5.0	386	.3	153	24.4	325	9.1
1964	1,834	9.4	1,252	4.5	854	5.2	398	3.1	148	(3.3)	434	33.5
1965	2,062	12.4	1,293	3.3	884	3.5	409	2.8	139	(6.1)	630	45.2

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a/ Government savings or capital formation are assumed to be equal to government investments inclusive of net donations from abroad.

Source of data: The National Income and Expenditures of the Philippine National Income Branch, OSCAS, NEC.

A modest shift from private to public capital formation was one of the salient features of the period. In some of the years the increases had some stabilizing influence to the extent that private investments fluctuated.

The financial resources available to the government expanded by ₱1,297 million in 1965 over the level registered in 1951 or an increase of 213 percent. There were no outstanding alterations in the composition of the public sector revenue. Tax receipts were 93.8 percent of the total receipts of the public sector, while non-tax receipts were 6.2 percent in 1951. In 1965, tax receipts accounted for 97.1 percent while non-tax income dropped to 2.9 percent compared to that in 1951. Direct assessment yields in relation to total receipts rose moderately from 20.2 percent in 1951 to about 28.6 percent in 1965. Indirect taxes have shown a declining yield dropping by a good 5.1 percentage points for the same period.

In absolute terms, direct taxes have shown a higher average annual growth than indirect taxes between 1955 and 1959 because the income tax rates during the period were raised but were lowered in subsequent years. Between 1962 and 1965 the growth rates of indirect taxes were slightly higher averaging 8.8 percent compared to 6.3 percent for direct taxes. This is shown in the accompanying Table II.13.

A major influence in the higher level of yearly growth of indirect tax receipts could be attributed largely to the increase

Table II.11 - RECEIPTS OF THE PUBLIC SECTOR AND THEIR GROWTH RATES: FY 1951-1965

(At 1960 prices in million pesos)

Year	Total	Per- cent	Tax receipts						Non-tax receipts a/	Per- cent
			Total	Per- cent	Direct	Per- sent	Indi- rect	Per- sent		
1951	609	22.5	571	22.3	123	35.2	448	19.1	38	26.7
1952	750	23.2	715	25.2	154	25.2	561	25.2	35	(7.9)
1953	805	7.3	777	8.7	159	3.2	618	10.2	28	(20.0)
1954	847	5.2	814	4.8	161	1.3	653	5.6	33	17.9
1955	930	9.8	886	8.8	189	17.4	697	6.7	44	33.3
1956	1,001	7.6	949	7.1	225	19.0	724	3.9	52	18.2
1957	1,118	11.7	1,056	11.3	287	27.6	769	6.2	62	19.2
1958	1,214	8.6	1,141	8.0	351	8.0	790	2.7	73	17.7
1959	1,273	4.9	1,189	4.2	379	8.0	810	2.5	84	15.1
1960	1,348	5.9	1,269	6.7	397	4.7	872	7.7	79	(6.0)
1961	1,424	5.6	1,357	6.9	427	7.6	930	6.7	67	(15.2)
1962	1,526	7.2	1,459	7.5	461	8.0	998	7.3	67	---
1963	1,632	6.9	1,570	7.6	486	5.4	1,084	[illegible]	62	(7.5)
1964	1,752	7.4	1,695	8.0	512	5.3	1,183	9.1	57	(8.1)
1965	1,906	8.8	1,851	9.2	546	6.6	1,305	10.3	55	(3.5)

a/ - Property income of government .

Based on classification in the National Income Accounts

Source of data: The National Income and Product of the Philippines
National Income Branch
OSCAS, NEC

in sales taxes. Sales taxation has a higher degree of sensitivity compared with other indirect taxes to the growing volume of business activity and the rising price trend. Taxes on imports or import duties assumed a lower position as a major source of tax revenue between 1962 and 1965. If at all, few rate increases were imposed on imports during the period. In fact, some tax exemption privileges served to narrow the tax base and reduce the tax take. Also, the quantum of imports fell after 1962, but recovered some ground in 1964, then rose in 1965. Then rampant technical and illegal smuggling occurred to further reduce the government income from this source.

A somewhat clearer picture of movements in the over-all pattern of tax revenue may be obtained in the percentage distribution of tax receipts as follows:

	1951	1955	1959	1960	1961	1962	1963	1964	1965
Direct	21.5	21.3	31.9	31.3	31.5	31.6	31.0	30.2	29.5
Indirect	78.5	78.7	68.1	68.7	68.5	68.4	69.0	69.8	70.5

Direct tax receipts appear to have failed to advance in relative terms from 1959 onwards. The foregoing fact means that the present tax policy has failed to serve as an instrument for income redistribution. This is particularly striking in the light of economic conditions that prevailed between 1962-1965, which indicates the apparent limited flexibility of direct tax yield. One contributing factor could be the relatively very mild increase in the individual income tax, the higher exemption affecting the middle and higher income brackets, and the further exemption of individual and corporate income accruing from government bonds held largely by the financial institutions and a few within the upper income groups.

Agricultural income while subject to an income tax, in practice appear to be difficult to reach due to administrative and political reasons. This served to weaken the over-all effects of the income tax. However, this was offset to a certain extent by the fact that agricultural products were, in effect, taxed by means of the prevailing exchange rate system prior to decontrol and the lifting of the 20 percent retention scheme on exports in 1965.

This tax situation leaves wages and salaries as the only important category of income subject to the progressive income tax. On the other hand, the income tax levied on the lower and middle income groups is relatively low, while at the upper income levels, the income tax collected is reduced by the exemptions of some of the accruing income. The tax yield is likewise substantially reduced by widespread tax evasion and the inefficient tax collection machinery.

Revenue from property taxes[a] between 1962-1965 showed only a very modest advance as levied by the provincial, municipal and city governments thus constituting a contributory factor in the decline of indirect tax receipts as a percentage of total receipts. Revenue from this source rose by 60 percent in 1965 over the level in 1958 compared to the rise in the yield of all other major taxes ranging from 90 to 160 percent for the comparable period. This becomes all the more striking when viewed in the light of the real estate boom and speculative up-swing in property values in almost all the large urban centers. Some of the real property assessment rolls still reflect pre-war values and have accounted in part for the decline. The structure of the tax system appears to show relatively limited sensitivity to rising prices and monetary incomes.

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[a] - Real property taxes are classified as indirect taxes in the National Income Accounts.

Throughout the period 1962-1965, the government was committed to an anti-inflationary fiscal policy which failed completely. The chronic deficits were even aggravated, and the time deposits of the government within the banking system facilitated monetary expansion. Clearly, in this context, the budget seems inadequate as an instrument of fiscal policy.

An examination of the tax structure appears to indicate that, as in the case of budgetary policy, tax policy is relatively limited in scope and effectiveness. Distribution of tax receipts between the local and national government tend to show that the structure at the national level is comparatively less regressive. Attempts at improving the structure at the national level may have limited effectiveness because of the tax policies which may be adopted by the local governments to increase municipal license and business taxes and fees. Heavy reliance on this source is partly due to the legal provisions which assign income and corporate profit taxes to the national government and partly because of the relative ease with which indirect taxes are collected. This situation, to a certain extent, serves to frustrate government efforts at making the tax structure more equitable.

The efficiency of fiscal policy in the future will depend in no small measure upon the degree of coordination which the Department of Finance can exercise over the fiscal operations of the local and national governments, and upon the degree of collection of taxes due.

The Internal and External Debt From year-end 1961 to September 1965, the internal public debt rose by ₱489 million. The bulk of the expansion was largely contributed by the government corporations and the national government.

The smaller net additions to the internal public debt from 1961 to 1965 may not apparently cause undue liquidity compared to the years 1955 through 1957. However, when viewed from the standpoint of repayment of maturing obligations the excess liquidity is indeed alarming.

Table II.12 - THE APPLICATION OF PUBLIC BORROWINGS IN THE CASH OPERATIONS OF THE NATIONAL GOVERNMENT FY 1962 - 1965

(In million pesos)

	1962	1963	1964	1965
Public borrowings	206.96	234.88	334.61	275.80
Add or minus net current operating receipts or disbursements	-47.07	-37.67	112.17	29.00
Less financial transactions	-157.15	-119.47	-330.30	-205.90
Interest payments	-39.10	-39.45	-43.09	-51.90
Sinking fund payments	-4.12	-.02	-22.00	-35.80
Debt repayments	-113.93	-80.00	-235.21	-118.20
Adjustments and transfer	13.14	-64.13	-145.55	-56.60
Net change in cash position	15.88	13.61	0.93	42.30
Beginning cash balance	405.93	421.81	435.42	436.24
Ending cash balance	421.81	435.42	436.45	479.10

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Sources: Central Bank of the Philippines, Statistical Bulletin Vol. XVI No. 4, Vol. XV No. 3, Vol. XVII, No. 3

The rate at which the internal public debt expanded along with private credit made it necessary for the Central Bank to institute greater control measures over the banking system and the price structure. Debt liquidation since the inception of decontrol further aggravated the prevailing inflation as bank credit and money supply continued to expand. In view of this, the Central Bank recommended massive withdrawals of government time deposits from the commercial banking system in order to slow down credit expansion. (See Table II.13).

Table II. 13 - INTERNAL PUBLIC DEBT OUTSTANDING CLASSIFIED BY PERIODS OF MATURITY:1961-64

(In million pesos)

	Total	Long-term	Middle-term	Short-ter
1961	2,588.5	1,440.0	502.7	645.8
1962	2,726.1	1,332.1	620.8	773.2
1963 - April	2,781.7	1,334.5	722.3	724.9
June	2,640.3	1,238.1	719.3	682.9
September	2,723.8	1,240.6	831.6	651.6
December	2,844.6	1,314.2	777.2	753.2
1964 - March	2,892.1	1,273.7	744.5	873.8
June	2,827.4	1,271.8	721.2	834.4
September	2,829.8	1,321.2	655.2	853.4
December	2,904.2	1,291.4	633.1	949.7
1965 - March	2,933.1	1,332.0	610.3	990.8
June	3,025.9	1,335.8	547.2	1,142.9

Source: Central Bank of the Philippines

The repayment of the maturing internal debt is both a monetary and a fiscal problem. The adverse monetary effects of such repayments were felt when the government, owing to the fall in government revenues, was forced to borrow from the Central Bank to meet its maturing obligation.

As the internal debt was growing and maturing, the external debt likewise continued to expand and mature causing not only an actual but potential drain on the country's meager foreign exchange reserves (See Tables II.16 and II.18). In FY 1965, the external debt position showed an increase of $36 million or 11.8 percent above the level that prevailed in FY 1962. The largest increase took place between FY 1964 and FY 1965 when the external debt increased by $80.8 million, or 30.9 percent. The greater bulk of the increase was accounted for by government corporations.

The difficulty in achieving external stability is evident in the foregoing analysis of past economic events. It may be observed that the inflationary impact of the aforementioned financial crisis which was superimposed on an exchange depreciation, further weakened the internal price structure.

Throughout the period following the inception of a free foreign exchange market, the Central Bank adopted a policy of quantitative and qualitative credit controls in order to temper the rising demand for foreign exchange. This, however, failed to produce the desired effects.

__Foreign Trade__ A fundamental weakness of the Philippine economy is that it has relied for its foreign exchange earnings on exports of a few primary products (See Table II - 14). The country's 10 principal exports accounted for 85 percent of the export earnnings of $742 million in 1964 and the first three, i.e., copra, sugar, logs and lumber earned 60.3 percent of total export proceeds. The problem in the short run is not how to correct this situation since the export products concerned represent the main source of foreign exchange earnings, but how to seek in concert with other developing countries methods of stabilizing prices and thereby assure a dependable source of foreign exchange to finance the coutry's imports.

About the country's imports, the trade statistics reveal one significant fact, i.e., that over the years almost 60 percent of imports consisted of raw materials of which 50 percent is semi-processed raw materials (See Table II - 15). A large portion of the semi-processed raw materials can be made out of local raw materials. There is, therefore, scope in the immediate and long range future for the establishment of import substitution industries and for reducing considerably foreign exchange outlays for their importation.

Table II.14 - COMMODITY PATTERN OF EXPORTS

	1962	1963	1964
Copra	20.3	23.1	21.0
Sugar (Centrifugal)	24.3	20.1	20.0
Logs and Lumber	20.3	21.0	19.3
Abaca, Unmanufactured	4.4	4.3	4.1
Coconut Oil	5.7	6.4	8.1
Dessicated Coconut	2.7	2.5	2.6
Iron Ore	1.7	1.5	1.4
Copper concentrate	3.3	4.4	4.0
Other exports	14.3		15.0
Molasses	1.0	1.2	1.4
Plywood	2.0	2.2	3.1

Source: Central Bank of the Philippines, Statistical Bulletin.

Table II.15 - IMPORT PAYMENTS CLASSIFIED AS TO END-USE
1954 - 1964

(In Percent to Total)

	Machinery and Equipment	Unprocessed raw materials	Semi-Processed raw materials	Supplies	Durable goods	Non-durabl goods
1954	6.1	3.4	55.0	14.5	2.0	18.8
1955	8.7	3.2	50.0	18.4	1.2	18.5
1956	11.0	10.3	49.7	12.3	.9	15.8
1957	10.2	8.3	51.3	13.5	.7	17.8
1958	9.9	9.2	49.6	13.2	.3	17.8
1959	9.0	8.1	52.4	18.2	.3	12.1
1960	9.9	11.7	48.6	14.7	.4	14.7
1961	12.1	10.2	48.2	11.0	.4	18.1
1962	13.3	13.1	51.8	8.7	.6	12.5
1963	14.9	13.5	52.2	5.0	1.0	13.4
1964	12.3	11.8	54.4	3.5	.9	17.1

Source: Bureau of the Census, Foreign Trade Statistics.

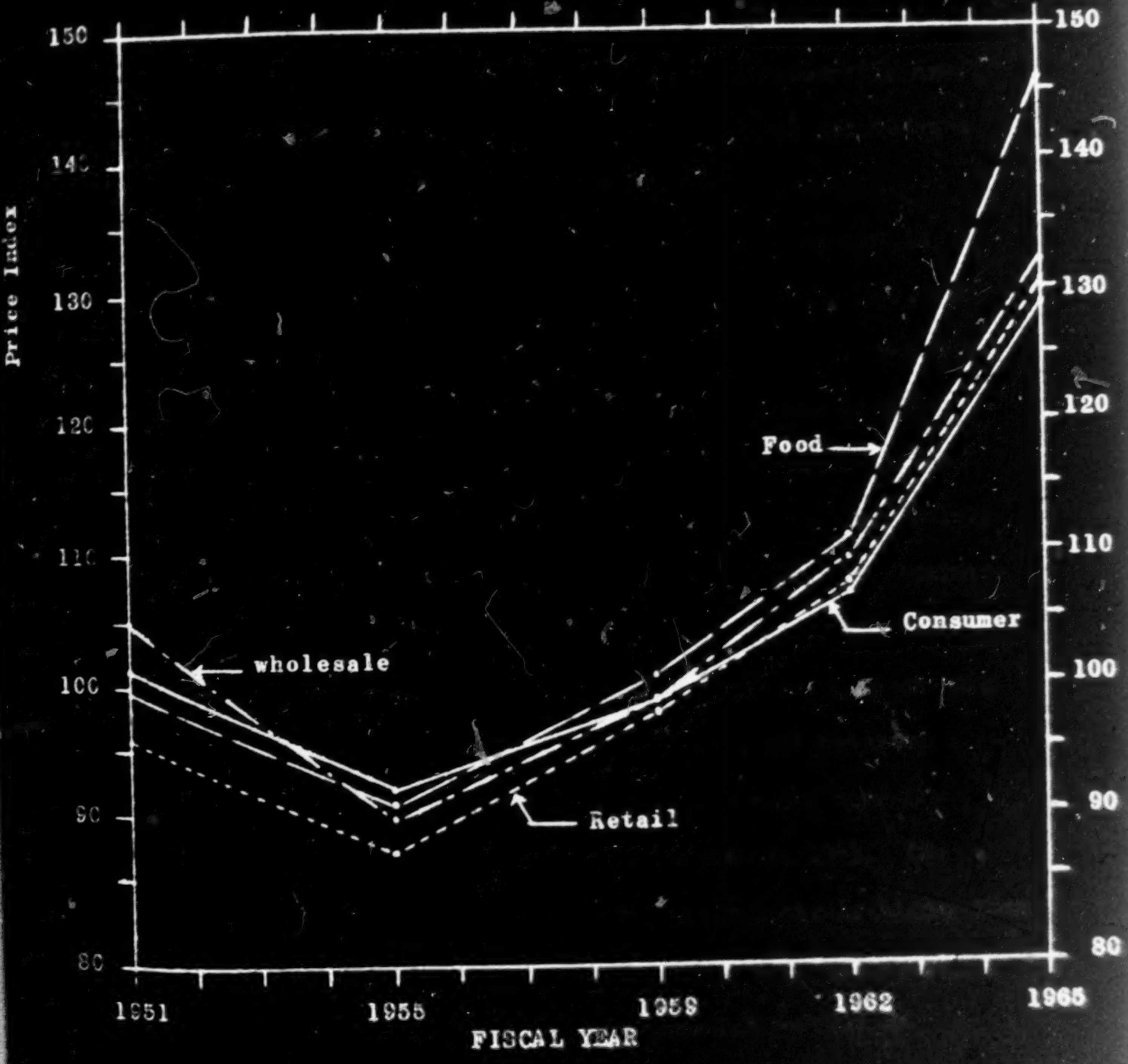
Money and Credit At the end of fiscal year 1963, increasing inflationary pressures arising from the expansion of credit and money supply were felt. The excessive domestic demand forced the Central Bank to adopt the corrective measures called for. In addition to those that were already in existence, the Central Bank raised the reserve requirements against savings and time deposits from 5 to 6 percent and lowered the rediscount quotas. To partly cushion the effects of the withdrawal of government deposits, commercial banks special advances were instead extended. On the whole, a policy of credit restraint was, however, maintained throughout the period to alleviate any further upward price spiral.

Money supply for FY 1964 continued to expand from July to December 1963, averaging about 1.5 percent monthly. The seasonal expansion was highest in December at 6.2 percent. This was followed by a gradual contraction in the succeeding months to finally settle at P2,638 million at the end of June 1964. This was P67 million or 2.5 percent less than the comparable period in 1963. This contraction assumes greater significance when viewed against the monetary expansion of 23 percent in 1963, and the inflationary pressures that followed in its wake. The reduction in money supply was accounted for partly by the continued increases in national governmental balances and the reduced borrowings by government from the banking system. The drain on the international reserves, as well as the level of money supply, was likewise reduced. Credit expansion by the banking system was largely extended to the private sector increasing by ₱799 million, or 23.4 percent compared to the previous year.

Price Movements The price and subsidy operations of the government held somewhat in check the upswing in prices in 1963 and 1964. However, in general, prices of foods and some essential import items rose more than others. Rising export incomes and the higher costs of imports appeared to have exerted the upward push. But the greatest danger to price stability during the period was the unusually large expansion in money supply and bank credit up to 1963. The monetary expansion coincided with the upsurge of further inflationary developments in current production which was inadequate and less than sufficient to meet the expanding effective demand.

The stabilization activities of statutory monopolies, the Rice and Corn Administration and the National Marketing Corporation were partially successful and only for short durations due to the limited built-in capability to moderate and dampen demand pressures at critical areas. The rise in prices appeared to have slowed down after a firming up of the exchange rate as well as the completion of the adjustment process at the market which has about reached its final phase. Internal deve-

SELECTED PRICE INDEXES
(1960 = 100)



lopments, on the other hand, reflected an increasingly heavy demand for funds by businesses to adapt operations to the rising price and cost structure. This tended to contribute its share in raising the price levels. The upward push was substantially reinforced and boosted by the considerable excess of national government cash receipts and the maintenance of time and savings deposits with the banking system.

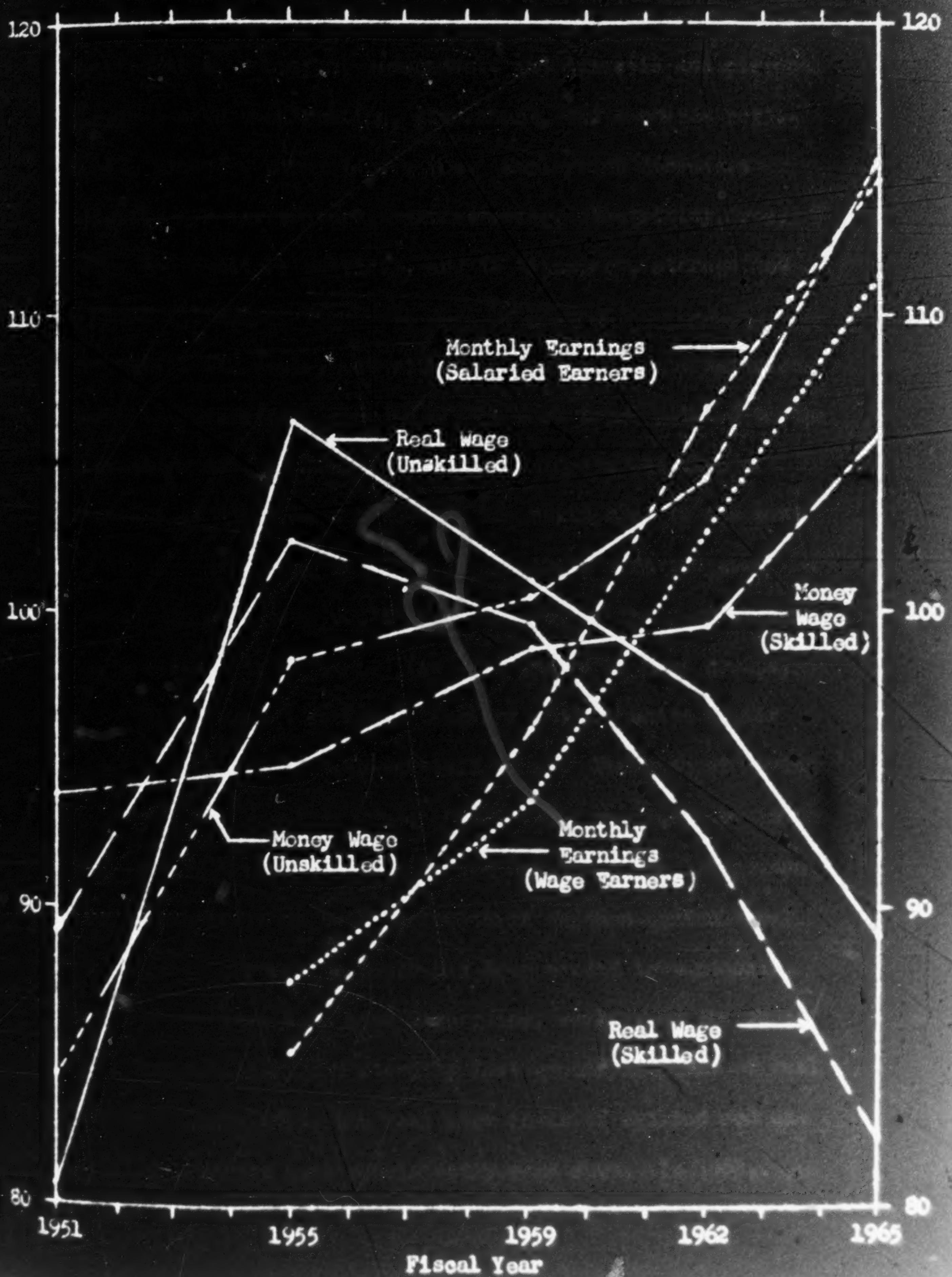
The price of consumer goods went up by 8.9 percent in 1964 which was only 1.0 percent higher than that in 1963. In 1965, the overall index expanded by only 3.1 percent over that of the preceding year. The unprecedented increase in the price of food commodities of 14.1 percent in 1964 which was a little less by 0.5 percent than the increase in 1963, solely contributed to the upswing in the cost of living. The increase in 1965 was moderate, rising by only 3.3 percent. All other household expenditures on the average, registered a slackening rise except for fuel, light and water when light rates were revised in 1965. Consumers paid only 3.4 percent more for clothing in 1964 compared to the 3.2 percent in 1963. The price increase at 5.0 percent in 1965 was relatively higher than in the preceding two years. Rental rates also increased mildly by 1.3 percent in 1965 as against 0.[illegible] percent in 1964 and 1.5 percent in 1963.

At the retail level, the price of cereal and meat increased excessively in 1964 by 15.6 percent and 12.9 percent, respectively. The upward rise was about as large as the price increase in 1963 over that of 1962 as against the very mild rise of 1.1 percent and 3.2 percent, respectively, in 1965. The retail price of fish which continued rising by 15.8 percent in 1963 gradually declined to 10.4 percent in 1965.

The general wholesale price in Manila continued the uptrend. It was 9.7 percent higher in 1963 compared to that of the previous year with the price of imported products contributing moderately to the increase. The upswing in prices was less for 1964 and 1965 at 4.6 percent and 2.2 percent respectively. The price of imported food products rose by 2.8 percent in 1964 as against the 5.5 percent increase in 1963. The price increase in 1965 was comparable with that of the preceding year at 2.5 percent.

Employment and Wages Based on the sample survey conducted by the Philippine Statistical Survey of Households in May 1963 and 1964, the overall level of employment was about 92 and 94 percent of the total labor force, respectively. Unemployment in 1964 hit a new low as it fell from 871 thousand to 724 thousand. The structural distribution of the employed force showed only a slight change. The employment in agriculture was still at a high of 58.5 percent of the total employed as against 59.4 percent in 1963.

SALARY AND WAGE RATES INDICATORS
(1960 = 100)



The increase in employment was most pronounced in construction, commerce, government, and domestic and personal services with construction, government, and commerce registering sizeable percentage gains. Employment decreased slightly for agriculture, manufacturing, electricity, gas, water and sanitary services, and in transport, storage and communication.

While the employment situation appeared to be satisfactory, the overriding concern of the work force pointed to the increasing need not only of wage adjustments but also of security problems as a result of the rapid rise in the cost of living. The rise in the cost of living left the wage earners in no better position at the end of the year since decontrol was instituted. The real income of many groups, such as government workers, teachers and the white-collar class was in general substantially less. The cost of living rose by 8.9 percent in 1964. Considering the increase in the income of 2.9 percent for salaried employees and 1.7 percent for wage earners in both agricultural and non-agricultural industries, purchasing power had been eroded tremendously. While there have been some wage gains, workers on the whole have substantially and steadily lost ground in terms of real income. Since 1955, the real wage rates of skilled and unskilled laborers have consistently gone down. In 1963, these rates compared to those of 1960, were 91.6 percent and 98.0 percent for skilled and unskilled laborers, respectively. The progressive downtrend in real wage rates continued in 1964 decreasing further by 4.9 percent for skilled laborers and by 7.0 percent for the unskilled laborers.

The wage and employment situation deteriorated in 1965. Agricultural and industrial employment declined, raising the total unemployed to about 947 thousand or 8.2 percent of the labor force. The decline in output resulted in lower degree of utilization of the employed labor force and a lower over-all demand for labor.

In spite of the decline of output in the industrial sector and the rising wage-cost, industrial firms were reluctant to dismiss trained personnel as it is difficult to find the right people when they are needed. Employment in transportation, communication and services, however, improved slightly, with the slight increases traceable largely to government services. In other words, government then became a sort of an employment agency.

Wage increases after decontrol exceeded the productivity advance so that labor costs particularly in industry rose rather sharply. This situation was later aggravated by the amendment to the Minimum Wage Law which further increased wages in industry by 50 percent.

Table II. - 16 - INTERNATIONAL RESERVES, IMPORTS, AND SHORT-TERM EXTERNAL DEBT OF THE PHILIPPINES: 1962-1965
(Million U.S. dollars)

Year	International Reserves	Imports	Short-term External debt
1962 - January	124	49	183
February	131	36	176
March	118	48	172
April	128	41	174
May	141	38	177
June	143	37	162
July	135	45	148
August	131	46	138
September	132	41	134
October	132	45	131
November	138	38	125
December	141	41	120
1963 - January	142	46	120
February	137	38	119
March	140	43	116
April	149	43	112
May	150	49	102
June	154	40	95
July	155	49	79
August	162	48	75
September	146	57	75
October	161	55	77
November	150	54	76
December	148	56	89
1964 - January	135	66	115
February	121	51	122
March	116	51	124
April	104	58	124
May	109	51	124
June	122	45	127
July	129	63	123
August	128	54	123
September	138	53	120
October	137	51	120
November	142	61	128
December	134	65	123
1965 - January	134	56	141
February	150	45	138
March	154	50	140
April	150	56	135
May	144	56	132
June	147	65	132
July	168	52	130
August	164	55	123
September	167	73	136

Sources: Central Bank, Statistical Bulletin.

Table II.17 - EXTERNAL PUBLIC DEBT OUTSTANDING CLASSIFIED BY LEVELS OF GOVERNMENT: 1961-65

(In million U.S. dollars)

		Total	National government	Government corporations
1961	June	132.9	40.9	92.0
1962	March	316.3	40.8	275.5
	June	306.0	42.5	263.5
	September	273.4	44.4	229.0
	December	249.1	33.5	215.6
1963	March	243.0	36.6	206.4
	June	225.7	36.4	189.3
	September	203.2	37.8	165.4
	December	230.0	37.7	192.3
1964	March	256.0	39.8	216.2
	June	261.2	42.0	219.2
	September	267.2	42.4	224.8
	December	281.8	46.2	235.6
1965	March	328.6	63.1	265.5
	June	342.0	65.5	276.5

Source: Central Bank of the Philippines

Table II.12 - EXTERNAL PUBLIC DEBT OUTSTANDING CLASSIFIED BY PERIOD OF MATURITY: 1961-1965

(In million U.S. dollars)

		Total	Long-term	Middle-term	Short-term
1961	June	132.9	67.2	30.8	34.9
1962	March	316.3	78.4	65.6	172.3
	June	306.0	80.6	63.8	161.6
	September	273.5	75.4	64.1	134.0
	December	249.1	66.1	63.0	120.0
1963	March	243.0	62.5	64.2	116.3
	June	225.7	67.5	62.8	95.4
	September	203.2	63.1	65.3	74.8
	December	230.0	48.9	87.1	94.0
1964	March	256.0	48.9	82.7	124.4
	June	261.2	51.9	82.8	126.5
	September	267.2	52.8	94.5	119.9
	December	281.8	56.0	102.5	123.3
1965	March	328.6	79.1	109.5	140.0
	June	342.0	84.5	125.7	131.8

Source: Central Bank of the Philippines,
Statistical Bulletin

Our Economy Compared with Other Countries

On the whole, the Philippine economy compared favorably with those of other countries in the ECAFE region. During the period from 1951 - 1964, the annual rate of growth of the Philippine economy averaged 5.4 percent which was comparatively higher than Malaysia's 4.8 percent; Pakistan's 3.5 percent; Korea's 4.9 percent; India's 3.9 percent; Indonesia's 3.3 percent; Burma's 4.8 percent; Ceylon's 3.1 percent; Australia's 4.1 percent; and New Zealand's 3.9 percent. ECAFE countries which enjoyed relatively higher rates of annual economic growth during said period were Japan, 9.2 percent; Thailand, 6.1 percent; and China (Taiwan), 8.1 percent.

During the period from 1961 to 1963, the average per capita gross national product of the Philippines was $184, compared with those of China (Taiwan) $153, Ceylon $138, Korea $126, Thailand $103, India $75, Burma $58 and Indonesia $52. Among the ECAFE developing countries, Malaysia is the only one which enjoyed a higher level of per capita gross national product than the Philippines, having attained a yearly average of $287. Of course, Japan and Australia being developed economies also attained higher per capita gross national product levels of $532 and $1,503 respectively.

Despite the relatively high rate of growth of her population which is about 3.2 percent annually, the Philippines enjoyed a comparatively higher average annual rate of growth of per capita gross national product of 2.2 percent during the same period, compared with those of Malaysia 1.6 percent, Australia 1.8 percent, India 1.8 percent and Ceylon 0.5 percent. ECAFE countries which enjoyed higher rate of growth of per capita gross national product than the Philippines during the period were Japan 8.1 percent, China 4.5 percent, Thailand 2.9 percent, Korea 2.3 percent, and Burma 2.6 percent. These are reflected in the following table:

Table II.13 - AVERAGE ANNUAL RATE OF INCREASE OF GNP OF SELECTED ECAFE COUNTRIES AT CONSTANT PRICES

Country	Period	GNP	Per capita GNP
Burma	1951-64	4.8	2.6
Cambodia	1952-63	5.8	-
Ceylon	1951-64	3.1	0.5
China (Taiwan)	1951-64	8.1	4.5
India	1951-64	3.9	1.8
Indonesia	1953-60	3.3	1.1
Korea	1953-63	4.9	2.3
Malaysia	1955-64	4.8	1.6
Pakistan	1952-65	3.5	1.3
Philippines	1951-64	5.4	2.2
Thailand	1951-64	6.1	2.9
Australia	1951-65	4.1	1.8
Japan	1951-64	9.2	8.1
New Zealand	1954-63	3.9	1.7

Source: ECAFE, Economic Living of Asia and the Far East, 1965

With respect to the structural development of the economy, the following table indicates the Philippine situation compared with other ECAFE countries during the period from 1961 to 1963:

Table II.20- AVERAGE PERCENTAGE SHARE OF THE MAJOR ECONOMIC SECTORS IN THE GROSS NATIONAL PRODUCT
1961 - 1963

Country	Agriculture	Manufacturing	Other
Indonesia	62.0	6.9	31.1
Pakistan	51.8	10.0	38.2
Ceylon	46.9	5.1	48.0
India	44.1	15.8	40.1
Malaysia	36.7	12.6	50.7
Thailand	36.4	11.4	52.2
Korea	35.2	11.3	53.5
Philippines	32.6	16.1	51.3
Burma	32.5	14.8	52.7
China (Taiwan)	29.0	20.3	50.7
Japan	14.0	30.5	55.5
Australia	12.6	28.2	59.2

Source: UN Yearbook of National Accounts, 1964

The rate at which industrialization is taking shape in the various ECAFE countries, may be observed in the following table of annual rate of increase of per capita gross production of the major productive economic sectors.

Table II.21 - AVERAGE ANNUAL RATE OF INCREASE OF PER CAPITA GROSS NATIONAL PRODUCT AT CONSTANT PRICE; 1961-63

Country	Whole	Agriculture	Manufacturing	Other
Japan	9.0	3.1	12.2	9.4
China	3.3	0.8	6.2	4.0
Burma	2.6	0.5	6.8	3.4
Pakistan	2.1	0.8	1.5	4.3
Philippines	2.1	-1.1	6.5	3.3
Thailand	1.9	0.3	2.1	3.1
Korea	1.9	0	8.5	2.3
Malaysia	1.5	0.2	3.7	2.1
Australia	1.4	-3.4	2.0	2.4
India	1.3	0	2.2	2.4
Ceylon	1.1	-0.5	1.8	2.8
Indonesia	0.6	1.4	0	-0.9

Source: UN Yearbook of National Accounts, 1964

However, compared with many ECAFE countries, the chance for rapid expansion of the Philippine economy as gauged by the magnitude of capital formation, is comparatively less. This is shown in the following table:

Table II.22.—GROSS CAPITAL FORMATION AS PERCENTAGE OF GROSS DOMESTIC PRODUCT

Country	1961	1962	1963	1964	Average
Burma	17.2	16.5	20.3	17.9	18.0
Ceylon	14.0	15.0	14.5	12.7	14.1
China (Taiwan)	22.0	21.0	19.2	18.7	20.2
Korea	13.4	12.8	20.2	15.2	15.4
Malaysia	16.2	19.0	18.5	-	17.9
Philippines	13.2	12.6	13.1	16.4	13.8
Thailand	16.1	18.8	22.1	22.7	19.9
Viet-Nam	8.8	10.0	7.6	11.2	9.4
Australia	23.1	26.4	25.8	-	25.1
Japan	43.5	38.1	37.8	38.5	39.5
New Zealand	23.7	22.7	24.4	24.3	23.8

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Source: United Nations, Yearbook of National Accounts Statistics, and National Sources

The Philippine economy attained during the period from 1961 to 1964 an average annual level of capital formation of 13.8 percent of the gross domestic product. This is less than many of the countries of the ECAFE region. Japan, Australia and New Zealand which are well-developed countries enjoyed higher levels of capital formation in the magnitude of 39.5 percent; 25.1 percent and 23.8 percent respectively; Thailand 19.9 percent; Korea 15.4 percent; and Ceylon 14.1

percent. The Republic of Vietnam is the only one in the group of the ECAFE countries with an average annual level of capital formation of 9.4 percent which is lower than that of the Philippines.

SUMMARY

In assessing the effectiveness of the policies and measures adopted to influence economic growth during the last 15 years, it is necessary to keep in mind the established and generally accepted objectives of development.

A dominant goal of Philippine economic development is the attainment of a sustained high level of production, real income and employment under conditions of relative monetary stability. A goal of 6 percent rate of growth has been set for the national income. On this basis, the economic performance had been satisfactory until 1957 but the desired rate has not been maintained after that year. Nor has real income improved since consumer prices have risen faster than money income for the masses. And unemployment has remained at a high level.

Considering that present levels of welfare for the masses were very low, another objective was to improve income distribution so that as the national income increased the real income levels for the masses should have likewise risen correspondingly. There is no evidence that economic development during the last

15 years has benefited the masses in this manner. The Minimum Wage Law helped increase money wages to a certain extent, but the benefits were offset by rising prices. Taxation could have been used to improve income distribution, but the tax system has remained such that the bulk of the tax burden has continued to be borne by the masses.

We envisaged an improvement in the structure of the economy by expanding the share of industry in the national income and reducing proportionately the contribution of agriculture. We did succeed in gradually increasing the share of industry, but the type of industries established included but a small number of basic ones and were mostly of the import-oriented type with respect to their raw material requirements. The industrial base has yet to be strengthened to make for a self-sustaining industrial development. On the other hand, while it cannot be said that agriculture was deliberately de-emphasized, no real effort was exerted to develop the food industries with the result that the country has been dependent partly on imports for its rice supply. In fact, for all its resources, the country still imports canned meat and fish.

On the utilization of the national product, the objective is to have an increasing proportion go into investment to bolster the productive capacity. The statistical evidence seems to show that this is so, although if a closer scrutiny is made of the Government sector, it is not unlikely that a sizeable part of the public investment is in the nature of government consumption expenditure and did not really add to the nation's capital stock.

The scope for utilizing the instrument of fiscal policy in promoting economic development, achieving price stability, and redistributing income is not as extensive in a developing country as in a highly developed country. In the latter, the government accounts for a high percentage of the demand for goods and services and effectively contributes to maintaining a balance between supply and demand for the national product. In developing countries, however, part of the demand for goods, both capital and consumer, will have to be satisfied through importation, and when this is done by the government, it will have the risk of competing unduly for the scarce foreign exchange demanded by the private sector. Nonetheless, Philippine Government spending did contribute to absorbing the products of industry and providing income and employment,

On account of its increasing share in the development effort it is not expected that the Government maintain continually a balanced budget. It has to resort to public borrowing to finance economic development in areas defined by law. The Government's public investment program has resulted in inflationary pressures, but the expansion of the infrastructure was minimal to be helpful in economic development. Future effort should be exerted to examine more critically the areas of development requiring more urgent government financing and, as importantly, to improve the implementation of the public investment program.

Considerable assistance has been extended to low income groups to raise levels of living through the so-called transfer payments by the Government. The effect of this policy is to reduce the resources that would otherwise have been available for development.

The main instruments of economic policy, i.e., monetary and fiscal measures, do not seem to have proven adequate to achieve the ends of economic and social development. For instance, when price increases had to be arrested through stringent credit, production suffered. When liberal credit policies were applied to foster economic activity, prices would rise and reduce real levels of living. The changing levels of the foreign exchange reserve, sometimes to a point which actually represented a threat to external monetary stability, followed a make-shift policy in the fiscal and monetary and credit sphere. It appears imperative that the policies for development be stabilized and if monetary and fiscal policies are shown to be inadequate to achieve the ends of development owing to a fundamental weakness of the economy, then bolder measures have to be seriously considered.

Chapter III

GENERAL OBJECTIVES OF DEVELOPMENT

The analysis of the present condition of the Philippine economy as given in the preceding chapter reveals in bold relief its inadequacy to satisfy the desire of the people for an improved level of life and to give substance to the aspiration of the nation to keep up with the progress of the other nations of the world. Thus, although these objectives have been stated and re-stated in past programs, there is still a need to reiterate the basic objectives of development, for they continue to be the same goals which must serve as the guide in the formulation of this socio-economic program for FY 1967 to FY 1970.

The development of the national economy does not consist only in the expansion of its productive capacity and the increase, through an expanded national output, in the volume of goods and services at the least cost possible. It must go beyond this, in that it requires also a parallel social advancement. National development thus involves the smooth transformation of the human and social factors in our society into dynamic forces for economic and social growth as may be required by the great changes taking place in the world in which we live.

This harmonious coordination of the economic and social elements of national growth is imperative in order to avoid, on the one hand, the negative social consequences that economic change might provoke, and, on the other, the disturbances in the economic situation producing undesirable effects, which might be brought about by measures considered as falling within the sociological sphere. The plan, therefore, seeks the simultaneous advance in the economic and social conditions in the country in order to realize the paramount objectives of rising output, income and employment for all the people and the maintenance of a high level of human physical and moral life.

The program establishes long-range objectives together with the immediate short-term goals. It is necessary to set up first the general directions of the national purpose and national policy in order that immediate and short-term steps can be coordinated and synchronized with the former so as to establish and maintain a measure of stability in the pursuit of the ultimate aspirations of our people.

This program has as its principal objectives, the highest possible rate of economic growth in an atmosphere of economic stability; the equitable distribution of the fruits of production; the optimum rise in the level of life of the people; and the maximum enhancement of their cultural well-being and happiness in freedom and dignity. The program aspires not only to satisfy the needs and desires of the present population but also to make life easier and better for succeeding generations.

Within the scope of the above-stated principal objectives, this program aims to pursue actively the following basic purposes:

1. The gradual integration of the social and economic life of the varied elements and sectors of our society by effecting not only an increase in the income of all these different sectors, but also by gradually eliminating the wide discrepancies between the levels of life of certain of these sectors;
2. The provision of equal opportunities to all the people, to the end that even the most lowly may be assured of a chance to rise to the highest rung of the economic and social ladder depending only on his own personal initiative and capacity; and
3. The extension to all the people of the opportunity to enhance their education and culture, of access to all types of technical instruction, of freedom to acquire property in any and all forms, and of the chance to participate as entrepreneurs or any other role, in the economic and social activities of the community in which they live.

The prime economic objective is to turn out the largest volume of goods and services demanded by a sound competitive market. Accordingly, the program aims:

1. To achieve the highest possible, or at least the targeted gross national product.

2. To effect the fairest participation in the enjoyment of the fruits of production through a more equitable distribution of income among all the elements involved in the production process, via the channel of salaries, wages, fringe benefits, bonuses, and others;
3. To guarantee to the people the fullest liberty of consumer choice in a competitive market, the option to choose from many different types of positions or jobs in the various enterprises, and to the entrepreneurs, the freedom of initiative and decision in the selection of the enterprises that they will undertake;
4. To avoid drastic increases in demand which may lead to undue spiralling of prices and serious disturbances in the balance of payments;
5. To minimize unemployment and to utilize the labor force in the most efficient manner, assuring it of freedom of organization and of full opportunity for training and technical improvement at all levels; and
6. To assure the expansion and diversification of the country's exports of goods and services and the acquisition of needed capital equipment and prime raw materials.

Based on the foregoing, the program contemplates the following corollary and supplementary objectives:

1. To promote the transformation of the organizational structure of the different productive sectors with the end in view of attaining the efficient functioning of the economy and the creation of new opportunities for capital and labor;
2. To increase the share of investment in the gross national product, by encouraging domestic savings and investment in productive enterprises and attracting foreign investment to generate capital in a magnitude sufficient to sustain the desired rate of growth;
3. To effect a sound selection of investment areas in accordance with reasonable criteria established in consonance with the national objective, and to set up a proper order or priorities that will assure the optimum utilization of invested resources for economic progress and public welfare;
4. To increase the volume of exports in relation to the national production, in order to increase correspondingly the country's capacity to import the expanding requirements for capital equipment, raw materials and consumer goods not produced locally;

5. To correct the existing defects and imbalances in the market to assure sound competition and fluidity in the production and distribution process and eliminate unfair trade and monopolistic practices;

6. To promote a rise in productivity through education and training, technological reforms, modernization of equipment, rationalization of production and enlargement of agricultural, industrial and service enterprises, professional betterment, greater mobility of labor and capital and optimum utilization of the productive resources;

7. To give financial institutions the necessary flexibility to encourage and promote savings and channel them to those sectors which most need additional capital, and to create and use effectively a widening capital and credit market; and

8. To institute the necessary structural and functional reforms in the government service particularly those offices and agencies directly or indirectly involved in the implementation and execution of this program so as to gear the governmental machinery more efficiently to the needs of economic and social development.

This Program, moreover, favors regional development to the extent required to attain a balanced development of the nation as a whole. It is proposed to gradually reduce the gaps in the state of development of the different regions of the country by:

1. Stimulating the growth of those less developed regions through the development authorities and accelerating the establishment therein of economic activities and enterprises which can propel the advancement of the region;
2. Assuring the optimum utilization of the resources of the region and encouraging local initiative by giving incentives and establishing programs in joint venture with local organizations;
3. Intensifying the establishment of irrigation systems, equitable land distribution in profitably operable parcels, and organization of cooperatives and other similar institutions; and [illegible]
4. Establishing the necessary organizations and procedures related to the migration of people into the region so that the ecological movements will be guided in accordance with the over-all development program.

The Over-all Plan and the various sectoral plans have been formulated with the foregoing objectives serving as significant guideposts for policy, program and project identification and consideration. They attempt to solve gradually, if not immediately, the serious problems and eliminate the adverse factors which hamper and obstruct the economic progress of the country. The most glaring of these problems are:

1. Insufficient production and income According to statistics, the national income for 1965 at 1960 prices was P12,918 million. Divided among a population of 32.3 million, this means a per capita income of P349. Definitely, such an income is indeed too small to support a healthy, adequate, and modern living and leaves inadequate margin for savings. What is worse, the income per capita has levelled during the past three years. Production tends to lag behind the growth in population and the poor are becoming poorer.

2. A rapidly increasing population and the concommittant worsening of the unemployment problems The population of the Philippines for 1965 has been placed at 32.3 million. The population and the labor force are estimated to be increasing at approximately 3.46 percent and 2.8 percent, respectively. In 1965, about 947 thousand, or approximately 8.2 percent of the labor force was unemployed. In addition to this, there was a great deal of underemployment. And there is every

indication that this situation has deteriorated during the past year and may, if kept unchecked, grow to more alarming proportions this year and the succeeding years.

3. Low productivity The people have generally very low productivity. The greater mass of the population are devoted to agriculture with seventy (70) percent depending on farming for their livelihood. About thirty-one (31) percent of the gross domestic product is accounted for by the agricultural sector which grows at the very low rate of 1.4 percent annually. It is paradoxical that despite this concentration of effort on agricultural production, not enough food is produced to feed the population adequately, for the productivity of the farmers is woefully low.

4. The neglected state of our rural areas The amenities of modern living are almost totally non-existent in many of our rural areas. Many of these places are still inaccessible except by the most primitive methods of travel. Safe water and sanitary sewage disposal systems are not yet available to more than half of the total population. Educational and recreational facilities are limited. Health and medical services are rudimentary, if not totally absent, in many of the barrio communities. Land tenure practices are still

highly antiquated and these have contributed in no small measure to the problem of low productivity. All these account for the massive influx of the population towards the cities.

5. The unbalanced price and income structure This unbalance heightened by a high degree of alien control of trade and the channels of distribution, has resulted in the uneven distribution of the fruits of production and of national income among the different sectors of our population. Filipino participation in trade and commerce is too small and too-weak to guarantee a healthy economy. Another potent factor is transportation which remains a major bottleneck to an orderly development of the domestic market.

6. Instability of income The country is a supplier of raw materials and a consumer of the finished manufactured articles of other nations. On account of its history of free trade relations with United States, the country has remained a heavy importer of consumer goods and intermediate semi-processed raw materials. It depends on a limited volume of export of a few primary products for the major part of its foreign income. The influence of demand and price on these primary export crops, both of which are dependent upon extraneous factors, renders

income from this source highly unstable. Also, there are (a) the restrictive policies of some governments to protect agricultural products in their traditional markets; (b) the replacement of natural products by synthetic ones; (c) the preferential treatment given to the output of colonial or associated territories; and (d) the competition of subsidized crops in world markets.

7. Untrained manpower The low productivity, the poverty of the rural communities and the lack of adequate industrial capability are due in a large measure to the inadequacy in the education and training of the population to make the people highly productive economic units. The elementary barrio and town schools have not given training on the specific activities of the locality to make their students, the drop-outs particularly, better or modern farmers, fishermen, lumbermen, and carpenters.

It is, however, a source of hope that against the foregoing problems, there are favorable factors that offer opportunities for the future which this program seeks to exploit to the hilt. Notably there is the fact that the Philippine economy has by now reached the level which can serve as a solid base for rapid development. The most important factors for expansion are:

1. The large and rapidly increasing population which, if properly trained and utilized, could provide almost unlimited additional employable workers, most of whom can be transferred from agriculture to industry and services;
2. The increasing number, vitality, initiative and aggressiveness of entrepreneurs with adequate educational and technological preparation;
3. The increasing amounts of investment from within the country;
4. The increasing availability of investment in the form of equity and loans from the outside;
5. The relative financial stability; and
6. The increasing reserves of foreign exchange.

Through the full utilization of these factors, it is perfectly possible to achieve the economic growth and social progress which will bring about a substantial improvement in the level of life of the people.

But they will have to be utilized in a completely integrated manner that will encompass all the many diverse problems of the economy which are inextricably linked with one another and therefore must be treated and solved as a totality. To attempt to dispose of only one or two of the various facets, while neglecting the others, would be to indulge merely in a futile exercise, for whatever relief may be attained will be merely temporary and in the nature of a palliative. Indeed, only a total, integrated approach can offer any hope for a lasting solution.

Chapter IV

THE OVERALL PROGRAM

National Income Projections

Taking into account the historical pattern of development of the economy as discussed in the preceding chapters, it is considered feasible to anticipate and plan for a growth rate in the per capita national income from 1.5 percent in FY 1967 to 2.3 percent in FY 1970. This is slightly below the growth of per capita national income from 1950 to 1957, but it is more than that for the period 1957 to 1962. This will mean an increase in the per capita national income at 1960 prices from ₱413 in FY 1967 to ₱439 in FY 1970 compared with ₱399 in FY 1965. Taking into account the anticipated increase in population, to attain this growth in per capita national income will require the economy to grow in terms of national income at 1960 prices at the rate of 5.1 percent in FY 1967 to 6.0 percent in FY 1970, or in total amounts of ₱14.3 billion to ₱16.9 billion.

These projections are shown below in tabular form:

Table IV.1 - POPULATION, PLANNED GROWTH OF NATIONAL INCOME, AND NATIONAL INCOME PER CAPITA: FY 1967-1970

(At 1960 prices)

	1964	1965	1967	1968	1969	1970
Population (thousand)	31,270	32,345	34,658	35,883	37,158	38,493
Per Capita national income (pesos)	396	399	413	420	429	439
Percent increase	0.8	0.8	1.5	1.7	2.1	2.3
National income*	12,394	12,918	14,311	15,084	15,944	16,901
Percent increase	4.3	4.2	5.1	5.4	5.7	6.0

* In million pesos

The required growth in National Income as above projected will in turn necessitate a growth in gross national product of 5.8 percent in FY 1967 to 6.8 percent in FY 1970, or in total amounts of ₱16.6 billion to ₱20.0 billion.

The distribution of the planned national income by source and by industrial origin is shown in the following table:

Table IV.2 - PLANNED NATIONAL INCOME GROWTH BY SOURCE AND BY INDUSTRIAL ORIGIN: FY 1967-1970

(At 1960 prices in million pesos)

Source	1967	1968	1969	1970
National income	14,311	15,084	15,944	16,301
Percent distribution	100.0	100.0	100.0	100.0
Growth rate	5.1	5.4	5.7	6.0
Compensation of employees entrepreneurial income of persons	13,594	14,324	15,131	16,018
Growth rate	5.1	5.4	5.6	5.9
Private corporate income	661	708	766	840
Growth rate	6.3	7.1	8.2	9.7
Property income of government	56	52	47	43
Industrial Origin				
Agriculture	4,265	4,405	4,578	4,766
Percent distribution	29.8	29.2	28.7	28.2
Growth rate	3.4	3.3	3.9	4.2
Mining & Manufacturing	2,948	3,153	3,344	3,600
Percent distribution	20.6	20.9	21.1	21.3
Growth rate	6.1	7.0	6.7	7.0
Construction	515	543	590	625
Percent distribution	3.6	3.6	3.7	3.7
Growth rate	5.1	5.4	8.7	5.9
Trade	1,717	1,810	1,913	2,028
Percent distribution	12.0	12.0	12.0	12.0
Growth rate	6.0	5.4	5.7	6.0
Transportation & Communication	501	528	558	592
Percent distribution	3.5	3.5	3.5	3.5
Growth rate	5.0	5.4	5.7	6.1
Services	4,365	4,645	4,943	5,290
Percent distribution	30.5	30.8	31.0	31.3
Growth rate	5.8	6.4	6.4	7.0

It will be noted that the compensation and entrepreneurial income of persons is planned to increase at the rate of 5.1 percent in FY 1967 to 5.9 percent in FY 1970. Correspondingly, there will be an increase in private corporate income of from 6.3 percent to 9.7 percent over the program period. The property income of the government is anticipated to fall because of the gradual transfer to the private sector of quasi-commercial and industrial activities of government corporations which became competitive with private activities.

A consistent advance in income by industrial origin is provided for all sectors of the economy, but the rates of growth are adjusted for each of them in accordance with the need imposed laterally by the other sectors. A substantial increase in income originating from agriculture is anticipated. Of highest priority is the production of food to achieve soonest possible self-sufficiency in rice for our rapidly increasing population. The production of other food crops and the supply of milk, meat, eggs and fish is also being greatly encouraged to improve the diet of the people. The production of our traditional export crops is also being increased and their processing for local use and for export will be encouraged to enhance foreign exchange income and to improve the earning capacity of the rural population. In the process, agriculture will be placed in a better position to support adequately the needs of expanding industries. Thus, the income from agriculture is programmed to increase at an average annual rate of 3.7 percent thereby contributing 29.0 percent to total national income. It will be noted that this percentage share of agriculture will decline from 29.8 percent in FY 1967 to 28.2 percent in FY 1970, a reflection of the declining trend in the last decade due to the growing importance of industry and a few other sectors.

A higher rate of growth is also planned for industry. Of immediate imperative necessity is the maximization of the output of all existing industrial enterprises that have been distressed during these last few years to boost their production and reduce their cost of production per unit. Other basic industries will be established that will utilize our indigenous raw materials for local consumption and for export to our neighboring countries, as well as those other enterprises that will fill important gaps in our present industrial structure to make it more self-contained and less dependent on foreign sources of intermediate raw materials. Hence, the income from the industrial sector will grow at an annual average of 6.7 percent for the planned four-year period. This means that the share of industry in the total national income will advance from 20.6 percent in FY 1967 to 21.3 percent in FY 1970 in contrast to the declining percentage share of the agricultural sector.

In order to insure that the planned growth in industry will be attained with the fullest participation of Filipinos, it is indispensable that incentives to local investment be provided and stability of government policies assured. Among the incentives necessary are availability of long-term credit at reasonable interest rates, protection from foreign competition through tariff and anti-dumping measures and elimination of smuggling, availability of foreign exchange for needed imports and stability of exchange rate, justified tax exemption privileges, accelerated depreciation, less carry-over, and a reasonably efficient governmental organization attending to the needs of private business. The government should also exhaust all administrative remedies and fully exert its persuasive powers to help and protect in all instances its nationals, "in their efforts to carve out for themselves, through their own initiative, their rightful place in the economic development of our country".

The construction sector also has to grow in parallel to provide the infrastructural base adequate to meet the social requirements of the population and to service adequately the growing needs of agriculture, industry, and trade. The construction and repair of irrigation facilities are now being expedited. A large nationwide roadbuilding, highways and bridge construction program is underway. Airports and irrigation facilities are being improved, the railroads are being rehabilitated and modernized, the Mindanao railroad system is planned, the ports and harbors are to be expanded and provided with service equipment. Income accruing to the construction sector will advance by an annual average of 6.3

percent over the program period to contribute 3.7 percent to total national income.

Substantial growth must also be attained in the service sector to make possible the anticipated growth in agriculture and industry, for without adequate facilities and services, progress in the other sectors cannot materialize. In the fields of water supply, electric energy generation, transportation and communication, marketing and distribution, much has to be done if bottlenecks are to be prevented in the orderly process of development. The income to be generated in the services sector will grow at 6.4 percent annually on the average, sharing 30.9 percent of total national income.

In the sector of trade, not only must progress be induced but substantial steps will have to be taken in order to redirect the pattern of development along channels consistent with the national aspiration. It is a historical fact that the Philippines' trade and commerce have been under the control of aliens. As time passed, specially with the attainment of political independence, alien control of business became increasingly anathema to the national progress and sovereignty. Foreign vested interests have always placed roadblocks to Filipino industrial efforts. They have been the focus of expoloitation of Filipino producers and consumers alike, and the major perpetrators of graft and corruption. Moves to correct this deplorable situation have already started with the approval of the Retail Trade Nationalization Law. These moves should be sustained and intensified not only to make the implementation of the law more effective and meaningful, but efforts should be exerted to wrest control of the wholesale trade and distribution within the country from the aliens, and to make major inroads towards the absorption of a substantial portion of our foreign trade by Filipinos.

Thus, trade is planned to advance at the rate of 5.8 percent and put in 12.0 percent of total national income. The importation of capital goods and raw materials to achieve the estimated goals is also bound to increase. Imports are expected to rise at an average annual rate of 15.3 percent during the program period.

Exports of goods and services on the other hand are, likewise, expected to increase. The growth of exports will average 13.6 percent yearly from ₱4,815 million in FY 1967 to ₱7,055 million in FY 1970. Proceeds from exports, however, will be inadequate to pay for imports during the programmed period. Exchange proceeds, therefore, both from foreign loans and direct foreign investments amounting to ₱1,258 million will have to fill the gap.

Apropos of this, the proposal of the President, in his State of the Nation address to set up a national export trade authority, becomes of utmost urgency and importance. As a companion measure, massive assistance must be given by the government for the establishment of Filipino trading organizations.

with sufficient size, power and strength to venture and establish themselves in the arena of foreign trading operations, with a good chance of competing with powerful foreign international enterprises and cartels. The pattern of assistance used in the development of rural banks and development banks can probably be usefully employed in this regard.

National Expenditures Projections

The planned distribution of the gross national product (gross national expenditures) during the next four years is shown in the following table:

Table IV.3 - PLANNED NATIONAL INCOME AND PRODUCT ACCOUNT: FY 1967 - 1976

(At 1960 prices in million pesos)

	1967	1968	1969	1970	Total	Average Growth Rate
Private consumption expenditures	12,545	13,061	13,600	14,165	53,371	
Rate	4.1	4.1	4.1	4.2		4.1
Government current expenditures	1,352	1,416	1,494	1,590	5,832	
Rate	4.0	4.7	5.5	6.4		5.2
Gross domestic investment	3,008	3,508	4,090	4,827	15,433	
Rate	16.9	16.6	16.6	18.0		17.0
Net exports of goods & services	(411)	(551)	(687)	(882)	[illegible]	
Exports of goods & services	4,815	5,472	6,214	7,055	23,556	
Rate	13.7	13.6	13.6	13.5		13.6
Imports of goods & services	5,226	6,023	6,901	7,937	26,087	
Rate	16.2	15.3	14.6	15.0		15.3
Gross domestic product	16,494	17,434	18,497	19,700	72,125	
Rate	5.3	5.7	6.1	6.5		5.9
Net factor income from abroad	80	144	208	281	713	
Rate		80.0	44.4	35.1		
Gross national expenditures	16,574	17,578	18,705	19,981	72,838	
Rate	5.8	6.1	6.4	6.8		6.3

With respect to the pattern of gross national expenditures, the planned forecast anticipates a moderate increase in private consumption expenditures precisely because it is the intent under the program to follow a more equitable pattern of distribution of the fruits of production to accord labor a better income to improve their level of living.

The gross domestic investment requirement of the program is estimated to range from P3.0 billion in FY 1967 to P4.8 billion in FY 1970.

Simply stated, the gross domestic investment is the sum needed to be injected into the economy to establish the capital structure necessary to produce the total incremental output of goods envisioned in the estimated growth of the gross domestic product. This in turn has to be supported by the amount of savings that can be generated by the private and the government sectors of the economy plus foreign investment and foreign borrowing which may be available.

Since the growth and expansion of the gross domestic product will have to depend on the increase in productive capacity, large amounts of new capital should be accumulated and mobilized within the program period. The size of the investment budget in the development program is the result of three factors: level of production goals, the estimated population growth, and the estimated incremental capital-output ratio. Since it is planned to establish import-substituting industries which are capital-intensive in nature, comparatively larger amounts of capital per unit of output will be needed.

The financial support for the requested investment will lean heavily on the capacity and willingness to save by both the private and public sectors and on the accumulation of domestic savings. These are indicated in the tables below which show the savings of the private and public sectors, the borrowings, and their application to gross domestic investment.

Table IV.4 - PLANNED PRIVATE APPROPRIATION ACCOUNT
FY 1967 - 1970

(At 1960 prices in million pesos)

	1967	1968	1969	1970	Total
Private income and outlay	14,556	15,348	16,228	17,203	63,335
Compensation & entrepreneurial income	13,594	14,324	15,131	16,018	59,067
Transfer payments	201	216	231	245	893
Net donations from abroad (persons)	100	100	100	100	400
Private corporate income	661	708	766	840	2,975
Direct taxes	623	675	736	810	2,844
Private savings	1,388	1,612	1,892	2,228	7,120
Percent of savings/private income	9.5	10.5	11.7	13.0	

Table IV.5 - PLANNED GOVERNMENT APPROPRIATION ACCOUNT FY 1967 - 1970

(At 1960 prices in million pesos)

	1967	1968	1969	1970	Total
Government receipts and outlay	2,144	2,308	2,495	2,714	9,661
Indirect taxes less subsidies	1,425	1,541	1,672	1,821	6,459
Direct taxes	623	675	736	810	2,844
Property income of government	56	52	47	43	198
Net donations from abroad	40	40	40	40	160
Government current expenditures	1,352	1,416	1,494	1,590	5,852
Transfer payments	201	216	231	245	893
Government savings	591	676	770	879	2,916
Percent of savings/receipts	27.6	29.3	30.9	32.4	

Table IV.6 - PLANNED COMBINED CAPITAL ACCOUNT FY 1967 - 1970

(At 1960 prices in million pesos)

	1967	1968	1969	1970	Total
Gross savings and capital outlay	2,817	3,241	3,751	4,366	14,175
Private savings	1,388	1,612	1,892	2,228	7,120
Government savings	591	676	770	879	2,916
Depreciation	838	953	1,089	1,259	4,139
Gross domestic investment	3,008	3,508	4,090	4,827	15,433
Net lending abroad	(191)	(267)	(359)	(461)	(1,258)
Percent of gross savings/gross domestic investment	93.7	92.4	91.7	90.4	

Table IV.7 - PLANNED REST OF THE WORLD ACCOUNT FY 1967 - 1970

(At 1960 prices in million pesos)

	1967	1968	1969	1970	Total
Current recipts and payments	5,035	5,756	6,562	7,476	24,829
Exports of goods and services	4,815	5,472	6,214	7,055	23,556
Net factor income from abroad	80	144	208	281	713
Net donation to Philippines	140	140	140	140	560
Imports of goods & services	5,226	6,023	6,901	7,937	26,087
Net lending abroad	(191)	(267)	(359)	(461)	(1,258)

It will be seen from the above tables that from 9.5 percent to 13 percent of the total private income is expected to be saved, and 27.6 percent to 32.4 percent of the government income will go to savings. This will mean that from 28.3 percent to 34.5 percent of the increment in the income of the private sector will go to augment the savings for each year, and about 51.8 percent to 49.8 percent of the increment in government income will go to increase the government savings, hence, only the balance will go to increase private consumption expenditures and current government outlays.

It will also be seen from the Table IV.6 that with the combined savings of the private sector and the government, plus the depreciation account, only about 93.7 percent to 90.4 percent can be raised internally, and a total borrowing and direct foreign investment equivalent to P1,258 million will be required to meet the investment requirements of the program. This, of course, is on the basis that the foreign-trade pattern set in the program which is summarized in table IV.7 is maintained.

Such foreign borrowings are also necessary to supplement the foreign exchange generation of the economy in order to meet the increased requirements for foreign exchange of capital goods that will be needed.

In absolute magnitudes, the stock of new capital that should accumulate over the four-year period according to end-use is shown below:

Table IV.8 - GROSS DOMESTIC INVESTMENT BY END-USER AND BY TYPE: FY 1967 - 1970

(At 1960 prices in million pesos)

	1967	1968	1969	1970	Total
Gross domestic investment	3.008	3.508	4.090	4.827	15.433
Gross fixed investment	2.908	3.395	3.962	4.683	14.948 ✓
1. Government	591	676	770	879	2.916
a) durables	249	271	269	264	1,053
b) construction	342	405	501	615	1,863
2. Private	2.317	2.719	3.192	3.804	12.032
a) durables	1,523	1,826	2,208	2,695	8,252
b) construction	794	893	984	1,109	3,780
Change in inventory	100	113	128	144	485

The breakdown of the gross fixed investment into the peso and foreign exchange component is shown thus:

	(In millions)				
	1967	1968	1969	1970	Total
Total gross fixed investment (pesos)	2,908	3,395	3,962	4,683	14,948
Government (pesos)	591	676	770	879	2,916
Pesos	367	432	528	641	1,968
Dollars*	56	61	60	60	237
Private (pesos)	2,317	2,719	3,192	3,804	12,032
Pesos	946	1,076	1,205	1,379	4,606
Dollars*	343	411	497	606	1,857

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* Exchange rate at ₱4.00 = $1.00

It can be gleaned in the foregoing tables that of the gross fixed investment, 62.2 percent is for durable goods while 37.8 percent is for construction. Also, 44 percent of the fixed investment is in pesos while the balance 56 percent equivalent to $2,094 million is in foreign exchange.

The capacity of the country to finance this development program to attain the growth goals on a sustained basis which will outstrip the rate of population increases as contemplated, will require determination to give up the usual propensity for conspicuous consumption and lavish spending. It is implicit in the program that institutions designed to mobilize domestic savings be enhanced greatly. Within the plan period, it is imperative that the major burden of development financing be placed on the private sector with the assistance of the fiscal system. With some reforms, the government can effect greater savings in its current operations which can be used to augment the available supply of capital. The increase in domestic savings will only use up part of the increment in income of the private sector, hence, it will not in any way reduce consumption levels, but increase it instead.

The gap between the overall investment requirements and domestic savings, moreover, is not large and is well within the borrowing capability of the economy. The shortfall in domestic savings amounts to only ₱1,258 million, and about ₱8,374 million will be needed in foreign exchange to be able to import the required additional machinery and equipment for the whole program period.

Estimates of foreign exchange receipts and disbursements within the next four years show the capacity of the external sector to support the foreign exchange requirements of the program as shown elsewhere in this report.. Estimates of import requirements include not only the normal import needs or maintenance imports but also the minimum additional foreign exchange required to achieve the pattern and pace of development as envisioned in the program. The latter aggregates $2,094 million during the program period, or an average of $524 million annually.

The total foreign exchange receipts are expected to reach $6,226.12 million from FY 1967 to FY 1970. With an estimated total foreign exchange requirement of $6,767.37 million, disbursements will exceed receipts by $541.25 million. This excess disbursement is broken down into $71.6 million in 1967, $110.2 mil-

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lion in 1968, $160.55 million in 1969 and $198.9 million in 1970.

To finance this gap, a scheme of special compensatory financing is proposed. Foreign loans will be incurred principally from institutional sources amounting annually to $140 million.

Employment projections

Corollary to the aims for accumulated growth of output, however, is the important objective of providing employment opportunities for the unemployed which includes the growing new entrants to total labor force annually and the under-employed. This is one basic socio-economic problem that this program proposes to ameliorate in due course.

The planned accelerated growth of output will require an estimated additional 334 thousand workers at the beginning of the program period. This is about 42.5 percent of the estimated unemployment of 786 thousand but more than the number of the estimated 306 thousand new entrants to the labor force.

In effect, the number of employed will reach 11,310 thousand or 93.5 percent of the total labor force, thereby reducing the percentage of unemployed from 8.2 percent in 1965 to 6.5 percent in FY 1967.

Over the program period, the additional employment requirement will average 346 thousand yearly. This means that in FY 1970 the total employment will reach 12,359 thousand and unemployment 705 thousand. The percentage of unemployed labor force will at this time be about 5.4 percent compared to the 6.5

percent at the beginning of the program period.

The distribution of employment by sector in absolute and percentage terms is shown in the following tables:

Table IV.9 - EMPLOYMENT BY MAJOR INDUSTRIAL SECTOR
FY 1965: FY 1967 - 1970
(In thousands)

	1965*	1967	1968	1969	1970
Agriculture	6,052	6,286	6,305	6,317	6,305
Mining & manufacturing	1,249	1,562	1,671	1,783	1,908
Construction	299	345	364	395	429
Trade	1,120	1,236	1,303	1,377	1,460
Transp. & communication	389	411	465	491	521
Services	1,426	1,440	1,533	1,631	1,746
Total employment	10,543	11,310	11,641	12,994	12,359
Labor force	11,490	12,096	12,410	12,733	13.064
Unemployment	947	786	769	739	705

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* Preliminary PSSH Survey Report, May 1965

Table IV.10 - PERCENTAGE DISTRIBUTION OF EMPLOYMENT
FY 1965: FY 1967 - FY 1970

	1965*	1967	1968	1969	1970
Total employment	100.0	100.0	100.0	100.0	100.0
Agriculture	57.4	55.6	54.2	52.7	51.0
Mining & manufacturing	11.8	13.8	14.4	14.9	15.4
Construction	2.8	3.1	3.1	3.3	3.4
Trade	10.6	10.9	11.2	11.5	11.8
Transportation & com.	3.7	3.9	4.0	4.1	4.2
Services	13.5	12.7	13.1	13.6	14.1
Total labor force	100.0	100.0	100.0	100.0	100.0
Employed	91.8	93.5	93.8	94.2	94.6
Unemployed	8.2	6.5	6.2	5.8	5.4

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* Preliminary PSSH Survey Report, May 1965

It is to be noted that in all sectors, increases in employment opportunities are envisioned. The greater increases, however, are relatively in manufacturing and mining, services and trade, with an expected decline in agriculture. In absolute terms, however, employment opportunities will be enhanced in all sectors of development.

Social Development Side by side with economic growth, the improvement of health and productivity for a better life for the people is provided for in the program. The program envisions manpower development from the cradle to adulthood.

More school children will be provided with elementary education. They will be taken into additional classes, housed into many additional classrooms. At least one textbook in each subject will be loaned to every pupil. An improvement program at the secondary level is contemplated to strengthen the base for college education and at the same time increase the supply of prospective vocational trainees to meet the needs of industry.

Education shall be the vehicle for effective and thorough re-evaluation of social values and attitudes and for the promotion of positive thinking that economic development requires. Better disciplined citizens with civic conscience and love of country, who will also be productive economic units in their communities are the desired products of the educational system.

The required basis health services will be reinforced through the improvement of facilities for both preventive and curative medicine. Disease intelligence work, improved diagnostic laboratory facilities, widespread health education, nursing and dental care will be included and expanded. The vigor and vitality of the population will be improved, especially those in the active labor force, to enhance further the level of productivity. The social welfare program will take care of the needy, the aged, the infirm and the mentally retarded.

Housing and resettlement projects are also included to improve housing conditions for the very low-income group. Slum and squatters areas in the cities and environs which have proliferated through the years owing to lack of urban physical planning will be minimized. Town and urban planning will be encouraged.

To demonstrate to the people the importance of self-help in community living, the community development program is being expanded to reach more barrios. The fundamental idea that the responsibility for progress rests with them must be inculcated in the minds of the people.

The review of the economy in recent years indicates clearly that the program herein projected may be the most that can be implemented considering all the factors involved. With effective action the minimum requirements of the program can be met without much difficulty. Production can be raised to desired levels and price and balance of payments equilibrium approximated.

The deficits in government spending can be replenished, while domestic capital formation can be raised if not maintained at levels necessary to sustain growth. The estimated value of programmed export earnings, plus the invisible incomes, together with additional foreign capital inflows, can finance import requirements for capital goods, raw materials, and consumer goods which will help rehabilitate the international reserves, improve the international value of the peso and meet the demands of the development program.

Chapter V

SECTORAL TARGETS, PROJECTS, INVESTMENT LEVELS AND SOURCES OF FINANCING

In order to realize the objectives and goals of development and to put the over-all program into a realistic and practical pattern for implementation, the sectoral programs have been set up in more specific detail in the chapters that constitute Part II of this Four-Year Socio-Economic Development Program for FY 1967 to FY 1970. These are summarized for an over-all view in this chapter.

The goals of the sectoral programs are: (a) to raise the levels of domestic production from year to year to meet most of the requirements of the fast-growing population; (b) to improve and expand infrastructural facilities as roads, ports and harbors, irrigation and flood control works, power, warehousing and storage, and others that lend support to production and marketing; (c) to stimulate domestic and foreign trade; and (d) to provide more of such services as would result in better health for the people, wider opportunities for acquiring education and training, improved peace and order situation, and better management of the country's social welfare activities. These goals are hoped to be attained through the immediate and proper implementation of directly productive projects as well as those that are supportive of development. The implementation of the program calls for greater participation and support from both the public and private sectors if the targets set forth are to be really achieved.

__Physical Goals and Projects in Agriculture__ In fiscal year 1964, crop production reached 12,406.0 thousand metric tons; animal products, 326.1 metric tons; fish output, 603.5 metric tons; and timber and lumber production, 3,263.3 million board feet. There is a programmed increase in the production of each item which has been based on the sector's ability to grow. For each year of the program period, the production targets are as follows:

(In thousand metric tons)

	1967	1968	1969	1970	Total
Crops	13,911.6	14,595.6	15,344.1	16,093.8	59,945.1
Livestock	440.0	468.6	498.8	531.2	1,938.6
Fish	747.3	830.8	914.8	1,002.3	3,495.2
Forest products[a]	3,100.0	2,750.0	2,400.0	2,650.0	10,900.0

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[a] - In million board feet

The above goals are envisioned to be attained with both the private and public sectors assisting each other. The private sector, however, is expected to engage more heavily in the following lines of agricultural activity:

1. Increased rice and corn production;
2. Expansion of acreage and intensification of production of other food crops - fruits, root crops, vegetables, coffee and cacao, and peanuts;

3. Acceleration of the production of commercial crops - coconut, sugar, abaca, tobacco, ramie, rubber, cotton, and soy beans;
4. Dairying;
5. Beef cattle production;
6. Carabao production;
7. Hog production;
8. Horse production;
9. Poultry production;
10. Tuna fishing;
11. Improvement of deep-sea fishing crafts and gear;
12. Expansion of commercial fishing fleet for deep-sea and off-shore operations;
13. Mechanization of small fishing crafts and gear;
14. Expansion of fishpond areas; and
15. Improvement of productivity of already existing fishponds.

The public sector, on the other hand, will undertake the following activities which are designed to stimulate increased production by the private sector with the government providing incentives and support to its further growth.

1. Crop production
   a. Rice and corn production program of the National Rice and Corn Production Council;

b. Irrigation programs of the National Irrigation Administration and the Irrigation Service Unit[a];

c. Price stabilization program of the Rice and Corn Administration;

d. Research projects of the Bureau of Plant Industry on citrus, coffee and cacao, coconut, abaca, plant utilization, farm equipment; those of the PHILCOA and PHILCORIN on coconut and of the Philippine Tobacco Administration on native tobacco and of the PHILSUGIN on sugar; and

e. Pest control and plant protection project of the Bureau of Plant Industry.

2. Animal production

   a. Importation of breeding animals by the Bureau of Animal Industry;

   b. Re-stocking of stock farms and breeding stations;

   c. Establishment of additional breeding farms;

   d. Up-grading of local stock through natural and artificial insemination;

   e. Livestock dispersal, swine chain and cockerel exchange;

   f. Feed grain, forage production and pasture development;

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a/ - These programs are treated in detail in the Services (Utilities) Sector

g. Dairy development including the establishment of a dairy breeding farm and of milk chilling and collection centers;

h. Animal disease control including the establishment of more diagnostic laboratories;

i. Production of biologics; and

j. Animal production research including the establishment of livestock experiment stations and fasciolosis research.

3. Fisheries

a. The Deep-Sea Development Project of the Philippine Fisheries Commission with U. N. assistance;

b. Fishery demonstration - craft mechanization and methods of catching fish;

c. Fish planting and stocking;

d. Fishpond productivity improvement - cooperative project of the Philippine Fisheries Commission, the Agricultural Productivity Commission, the Agricultural Credit Administration, the Bureau of Soils and the Development Bank of the Philippines;

e. Freshwater demonstration fish farms;

f. Management and conservation of fishery resources; and

g. Fishery research, surveys and investigations.

4. Bureau of Soils

   a. Soil fertility survey and research;

   b. Soil classification;

   c. Laboratory services; and

   d. Soil conservation.

5. Commission on Agricultural Productivity

   a. Agricultural Extension Service

6. Forestry

   a. Forest protection;

   b. Forest conservation;

   c. Reforestation; and

   d. Land classification.

7. Bureau of Lands

   a. Cadastral survey; and

   b. Public land sub-division.

Physical Goals and Projects in Manufacturing and Mining

Anticipating increasing demand for metals and metal products, chemicals and oil, processed foods, non-metallic mineral products, construction materials and other essential manufactured products, the program envisions the expansion by the private sector of plant capacities, as follows:

Industry and products	Additional capacity
Metals	
Integrated steel mills	360,000 MT
Ferro-alloys	48,000 MT
Pipes and fittings	20,000 MT
Aluminum smelting plant	20,000 MT
Copper smelting and refining	14,000 MT
Zinc smelting plant	16,000 MT
Gold refining	400,000 OZ
Chemicals	
Fertilizers (various kinds)	165,000 MT
Industrial explosives	3,000 MT
Photographic paper	580 MT
Carbon black	18 MT
Polyethelene	6,000 MT
Insecticides (benzene hexachloride)	2,000 MT
Synthetic rubber	8,500 MT
Coconut oil	160,000 MT
Coco-chemicals	10,000 MT
Hydrogen peroxide	1,700 MT
Coal tar dyes	2,000 MT
Anti-biotics:	
Penicilin	11,000 MT
Streptomycin	20 MT
Zinc oxide	1,200 MT
Food products	
Food canning	33,000 MT
Corn products	15,000 MT
Cassava products	7,200 MT
Coffee and cacao	1,500 MT
Animal feeds	50,000 MT
Non-metallic manufactures	
Cement	39.0 M Bags
Ceramics	66.0 M Pcs
Firebricks and refractories	10,000 MT
Optical glass	500,000 Pairs
Glass tablewares and containers	70,950 MT
Flat glass	20,000 MT

Wood industries	
Sawmills	53.3 M Bd Ft
Plywood plants	311.0 M Bd Ft
Pulp + Paper Plant	70.0. MT

Mineral production	
Precious metals	1.694 M OZ
Base metals	3.279 M MT
Non-metals	5.079 M MT

Proposed to be expanded also are the following manufacturing and shipping service activities:

- Agricultural machinery and implements
- Machine and hand tools
- Non-electrical machinery
- Electrical machinery and appliances
- Office equipment
- Transportation equipment and spare parts
- Foundry and machine shops
- Drydocking and shipbuilding

Physical Goals and Projects in Infrastructure and Public Utilities The program envisions the construction of new projects and/or improvement of existing ones to provide the following facilities:

	1967	1968	1969	1970	Total
Power and water resources					
1. Power (in kw.)	370,200	206,600	207,000	352,600	1,133,000
2. Irrigation (has.)	29,900	113,730	24,650	66,500	234,780
3. Water supply (pop. to be served)	800,000	2,565,000	917,000	1,005,000	5,287,000
4. Flood control (projects)					
Completion (No.)	42	46	47	52	187
Continuation (No.)	131	152	144	108	130

	1967	1968	1969	1970	Total
Other public works					
1. Highways					
a. Road (kms.)	6,476	5,800	6,300	5,500	24,076
b. Bridge (l.m.)	5,500	6,000	8,000	8,000	27,500
2. Ports & harbors (no.)					
a. Municipal	61	70	53	51	a/
b. National	28	22	17	14	a/
3. Airports & airways					
a. Trunkline	2	1	3	2	8
b. Secondary	3	3	3	2	11
c. Feeder	8	7	7	7	29
4. National bldgs. (no.)	3	2	1	4	10
Transportation and communications					
1. Motor vehicles (no.)					
a. Cars	4,800	4,450	4,700	5,100	19,100
b. Trucks	4,200	3,300	5,000	4,800	17,300
2. Railroad					
a. Pass-Kms. (1000)	110,000	43,000	80,000	40,000	273,000
b. Ton-Kms. (1000)	68,000	62,000	28,000	16,000	174,000
3. Telecommunications (no. of telephones)	19,000	53,000	55,500	56,500	184,000
4. Shipping					
a. Domestic					
(1. No. of vessels	3	3	3	3	12
(2. No. of gross-tons	4,800	4,800	4,800	4,800	19,200
b. Overseas					
(1. No. of gross-tons	24,000	24,000	24,000	24,000	96,000
5. Air					
a. Domestic					
(1. Pass-M (1000)	82,000	119,000	143,000	172,000	516,000
(2. Ton-M (1000)	6,500	7,200	8,600	10,500	32,800

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a/ - Continuing improvement of 44 national ports and 192 municipal ports

	1967	1968	1969	1970	Total
b. International					
(1. Pass-M (1000)	40,000	53,000	53,000	63,000	209,000
(2. Ton-M (1000)	7,000	7,300	8,200	10,000	32,50

Among the major projects to be undertaken during the program period are:

1. Power

a. Angat multi-purpose project	NPC	- 218,000 kilowatts
b. Maria Cristina Unit No. 3	NPC	- 50,000 "
c. Maria Cristina Unit No. 4	NPC	- 50,000 "
d. Tegen No. 2	MECO	- 100,000 "
e. Gardner Station No. 1	MECO	- 150,000 "
f. Bataan Thermal Plant No. 1	NPC	- 150,000 "
g. Pantabangan Hydro	NPC	- 30,000 "
h. Ilocos Elec. project	NPC	To serve 54 towns in the area
i. Central Luzon Phase II	NPC	To serve 41 towns and 3 heavy industries
j. Laguna-Batangas, Phase II	NPC	To serve 14 towns and 1 heavy industry
k. Southern Luzon elec. project	NPC	To serve 14 towns and 6 industries
l. Small diesel electric plants	EA and private operators	- 8,000 kilowatts

2. Irrigation

a. Upper Pampanga multi-purpose project Nueva Ecija (Pantabangan)	- 81,000 hectares (2 seasons
b. Angat multi-purpose	- 21,000 hectares
c. Abulog, Cagayan	- 12,000 "
d. Magat River Irrigation Project, Isabela	- 12,000 "
e. Baco-Bucayao River Irrig. Proj., Mindoro	- 10,000 "
f. Ambayaoan, Pangasinan	- 8,000 "
g. Caulaman, Pampanga-Bataan	- 8,000 "
h. Cabagtangan River Irrigation Proj., Quezon	- 6,400 "
i. Bao River Irrigation Projects, Leyte	- 4,800 "
j. Rugnon River Irrigation Proj., Lanao del Sur	- 4,700 "
k. Salug, Zamboanga del Norte	- 4,300 "
l. Kabacan River Irrigation Proj., Cotabato	- 4,300 "
m. Marandiing River Irrig. Proj., Lanao del Norte	- 4,040 "
n. Malasila, Cotabato	- 4,000 "
o. San Fabian, Pangasinan	- 3,600 "
p. Chico, Cagayan	- 2,000 "
q. All others	- 91,840 "

3. Water Supply

   a. Improvement of at least twenty-two (22) city and municipal waterworks systems including those of Manila and suburbs and the cities of Baguio, Davao, Iloilo, Bacolod, Roxas, Cotabato, San Pablo, Butuan, Iligan, Cagayan de Oro, Calbayog, and Pagadian.

   b. Completion of eight (8) systems found in Dolores, Abra; Naga City; Carigara, Leyte; San Jose, Mindoro; Binmaley, Pangasinan; Angono, Rizal; Calbayog City; and, Sison, Surigao del Norte.

   c. Construction of twenty (20) waterworks systems in Orion, Bataan; Panglao, Bohol; Norzagaray, Bulacan; Raja Buaya City; Batac, Ilocos Norte; Candon-Sta. Lucia-Sta. Cruz waterworks; Santiago-Cordon-Echague, Isabela; Bato-Matalum, Leyte; Kayapas Paykek, Mt. Province; Jolo, Sulu; Calbiga, Samar; Bamban, Tarlac; and, in eight (8) other municipalities.

4. Flood Control	Area to be protected
a. Manila flood control project	5,000 hectares
b. Pampanga River control project	110,300 "
c. Agno River control project	180,000 "
d. Bicol River control project	65,000 "
e. Ilog-Hilabangon River control project	10,000 "
f. Cotabato River control project	10,000 " (to be reclaimed)

Other public works

1. Highways

a. Manila North Diversion Road	27.6 Kms.
b. Manila South Diversion Road	19.0 Kms.
c. Improvement of the Manila North Road	664.0 Kms. and 1,069.0 lineal meters of bridge
d. Improvement of the Davac City-Cagayan de Oro City Road via Cotabato City-Maranding via Karomaton-Iligan City-Butuan City	422.6 Kms. and 1,756.0 l.m. bridges
e. Samar-Leyte Bridge	915.0 l.m.
f. Leyte-Panaon Island Bridge	612.0 l.m.
g. Ferry boats to serve Sorsogon-Samar and Panaon Island-Surigao Gap	2.0 units

2. Portworks
    - a. Improvement and expansion of the Port of Manila
    - b. Improvement of 44 other national ports
    - c. Improvement of 192 municipal ports
    - d. Construction and development of Bacolod City Port
    - e. Development of reclaimed area of Cebu City Port
3. Airports and airways
    - a. Modernization of the Manila International Airport
    - b. Development of 8 trunkline airports

c. Improvement of 11 secondary airports
d. Provision of necessary air navigation facilities in 16 airports

Transportation and communication

1. Philippine National Railways

   a. Rehabilitation and modernization of 450 km. track
   b. Procurement of miscellaneous rolling stock and construction materials
   c. Resumption of construction of the Cagayan Valley Extension
   d. Resumption of construction of the Sorsogon Line Extension

2. Motor transport

   a. Acquisition of a total number of 19,100 cars
   b. Acquisition of a total number of 17,300 trucks

3. Air transportation

   a. Domestic

      (1. Acquisition of a total of 30 aircrafts (F-27 Friendship)
      (2. Acquisition of 6-YS one-eleven aircrafts
      (3. Construction of PAL's ₱7 million perimeter building
      (4. Construction of a flight kitchen (PAL) at Nichols Field
      (5. Construction of a 12-story company headquarters building at Makati and modern domestic terminals at Manila, Mactan, and Davao

   b. International

      (1. Acquisition of two (2) DC-8 aircrafts

4. Marine transportation

   a. Inter-island

      (1. Construction of twenty-four (24) island vessels

   b. Overseas

      (1. Acquisition of four (4) vessels

Communication

1. Private sector

   a. Installation of a total of 164,000 telephones

2. Public sector

   a. Installation of 20,000 telephones
   b. Construction of a high-quality telephone communication system between Manila and all provincial capitals and cities
   c. Construction of a high speed fully automatic telegraph relay system in 49 cities and towns
   d. An automatic local telephone service in 27 cities and provincial capitals
   e. A necessary radio network to inter-connect all these localities
   f. Establishment of telegraph facilities in 20 municipalities in Central Luzon and replacement of obsolete and worn-out telegraph equipment in 120 municipalities
   g. Rehabilitation of the government telephone system in and around Manila involving the installation of 518,900 kms. of cables, 186 kms. of conduits, construction of 630 manholes and 70.2 kms. of excavation

3. Public and private

   a. Communication Satellite - membership in the consortium of 49 countries and establishment of a ground station

Physical Targets and Projects in Scientific and Technological Development The Program includes a scheme of making science and technology responsive to and supportive of economic development principally through the improvement of existing production facilities, processes and techniques; the introduction of new inventions or innovations in agriculture, power production and other types of engineering, mining and manufacturing; and through the findings on advanced and efficient methods in plant and personnel management and in the dispensing of nutrition, health and educational services to the people.

Toward the attainment of these ends, projects under the headings, Research and Development, Scientific Manpower Development and Science Promotion and Dissemination of Information are included in the Sectoral Program. These will cover the fields of Agriculture and Natural Resources; Industry and Engineering; Medical, Nutrition and Allied Sciences; Social Sciences and Oriented Basic Research; Atomic Energy; Development of Basic Education in Sciences; Training of Scientific Personnel; and the maintenance and operation of a Philippine Science Community and the Philippine Atomic Research Center Laboratory. Cooperative efforts between government and the private sector will be depended upon for the successful prosecution of all proposed projects with the National Science Development Board playing more than ever before a major role.

Physical Goals and Projects in Trade The over-all goals in the trade sector are to increase its total contribution to national income during the program period at an average annual rate of 5.8 percent, and to raise the country's capacity to import by approximately 15 percent a year. In absolute figures the estimated annual capacities to import indicated in the program are:

1967 - ₱1,044.15 million
1968 - 1,218.30 "
1969 - 1,382.70 "
1970 - 1,589.85 "

The goals are hoped to be attained through the expansion of both foreign and domestic trade. Thus, the measures and projects proposed in the program are promotional in nature. These are:

1. Creation of an Export Trade Authority;
2. Establishment by the private sector of export trading organizations;
3. Aggressive and more systematic trade promotion abroad;
4. Entering into bilateral or multilateral trade agreements with co-trading countries;
5. Institution of effective standardization and grading of export products;
6. Establishment of overseas trading centers;
7. Effective and systematic market surveys abroad;
8. Work towards organizing copra co-exporting countries to attain a strong bargaining position vis-a-vis international cartels;
9. Increasing the number of Philippine ocean-going bottoms;
10. Establishment of adequate warehousing and storage facilities by the private sector;
11. Construction of adequate roads, ports and harbors, transportation and communication facilities and power; (This is embodied in the Infrastructure and Public Utilities Program)

12. Expansion of municipal markets and slaughter houses by government and of super markets by the private sector;
13. Establishment of commodity-produce exchanges by both the government and the private sector;
14. Provision of reliable domestic market research and information;
15. More effective Filipinization of the retail and wholesale trade;
16. Effective implementation of the Fair Trade Laws;
17. Tariff to be utilized as an instrument for effecting desirable price levels; and
18. Intensification of the anti-smuggling campaign.
19. Intensive promotion of tourism.

Physical Goals and Projects in Social Services (Human Resources and Social Development)

1. Education

The most urgent problems that need to be resolved in the field of education are accomodation of the increasing number of pupils and improvement of the quality of instruction. To solve the problems, the following shall be undertaken:

a. Creation of 25,761 additional elementary classes in the public schools to accommodate 6.4 million children by 1970, reduce class sizes to not more than 40 pupils and convert double single-session class plans to two-session plans;

b. Construction of 52,561 classrooms to house the additional classes and eliminate the accumulated backlog of classrooms in ten (10) years time;

c. Continuation of the textbook production project to provide at least one textbook on every subject for every pupil within six (6) years;

d. Re-examination of the curricula to make it more suited to the needs of the time;

e. Expansion of existing projects for trade and industrial vocational education such as textile training, apprenticeship, industrial-electricity training, opportunity vocational classes, tool and machine fabrication, industrial ceramics training and research, and pilot courses in apparel trades;

f. Development and expansion of projects for agriculture and homemaking such as the irrigation installation project, farm mechanization project, cabbage and onion seed production project, dairying project and manufacture of farm tools, machinery and equipment.

g. Development and expansion of projects on fishery education such as projects for fish capture, fish culture, and fish processing;

h. Improvement of the quality of private education by allocating a portion of the estimated ₱110 million special fund for education under the Philippine War Damage Legislation for private schools, colleges and universities.

2. Health

In the field of health, the major preoccupation will be to provide essential health and medical services particularly to the lower and middle-income groups. The following shall be undertaken:

a. Expansion of the rural health program by increasing the number of rural health units with 52 units a year and completing the staffing of existing units;

b. Establishment of 3,305 additional hospital beds to be distributed among 3 medical centers, 5 regional hospitals, 33 provincial hospitals, 14 training and teaching hospitals, and 5 psychiatric wards and an additional 500 beds for the PGH;

c. Promotion of emotional development, expansion and improvement of laboratories, intensification of quarantine program, improvement of dental health program, and upgrading of the disease intelligence program.

3. Social Welfare

To improve social welfare services, the plan calls for the following:

a. Decentralization of Welfareville Institutions. This involves the disposal of the Welfareville property, acquisition of new sites, construction of buildings and facilities and the acquisition of equipment necessary for the establishment of national children's homes, youth centers and institutions.

b. Construction of 3 additional training centers (Cebu, Naga and Iloilo) for the vocational rehabilitation of the disabled;

c. Improvement of services by increasing the appropriation for social welfare by ₱3 million for the next four years, the bulk of which will be used for the strenghthening and expansion of the child welfare program.

4. Low-cost Housing

The low-cost public housing program aims to maximize government participation in meeting the housing needs of the low-income group by utilizing existing PHHC properties and by judicious land acquisition in priority urban areas. A total of 14,750 units will be constructed as follows; FY 1967 - 1,400 units; FY 1968 - 3,000 units; FY 1959 - 4,450 units and FY 1970 - 5,900 units.

5. Slum Clearance

The solution of the slums squatter problem in urban areas shall be achieved through;

a. The establishment of new towns within which to resettle urban squatters and slum dwellers in such a manner as to generate economic and social growth.

b. Creation of a resettlement agency; - (1) to develop and coordinate a national relocation program, and

(2) develop Sapang Palay as the pilot, research and training project for urban resettlement.

6. Community Development

The community development program will continue to develop and promote self-government and at the same time bring the full resources of existing rural development agencies to the assistance of the people and communities at the grassroots levels.

The plan calls for:

a. Servicing of an additional 2,000 barrios annually;

b. Continuation of the training of local leaders for effective leadership, strengthening of local barrio councils for self-government and the establishment of aided and self-help projects as instruments for the development, and strengthening of an independent people.

c. Change in the status of the community development agency from that of an aided project to a more permanent agency with clearly defined objectives and functions and stable financing.

d. Allocation of objective economic goals for self-help activi

7. Labor and Manpower -

To meet the manpower requirements of the Plan, the following are programmed:

a. Creation of a Manpower Development Council that shall undertake to integrate and coordinate the detailed programming and implementation of manpower development activities.

b. Establishment of twelve (12) employment exchanges which should form the nucleus of a National Employment Services Office.

c. Creation of employment opportunities to absorb gradually the unemployed and the new entrants to the labor force as shown in the table below:

EMPLOYMENT BY MAJOR INDUSTRIAL SECTOR
FY 1965; FY 1967 - FY 1970
(In thousands)

	1965a/	1967	1968	1969	1970
Agriculture	6,052	6,286	6,305	6,317	6,305
Mining	1,249	1,562	1,671	1,783	1,908
Construction	499	515	543	590	625
Trade	1,120	1,236	1,303	1,377	1,460
Transportation & Com.	389	441	465	491	521
Services	1,426	1,440	1,533	1,631	1,746
Total employment	10,543	11,310	11,641	11,994	12,359
Labor force	11,491	12,096	12,410	12,733	13,064
Unemployment	947	769	769	739	705

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a/ Preliminary PSSH Survey Report, May, 1965.

The Plan calls for an average annual additional employment of 346 thousand unemployed which will reduce the rate of unemployment to 5.4 percent by 1970.

Levels of Investment and Sources of Financing

The attainment of the planned goals necessitates the accumulation of ₱13,622.1 million of additional investments at current prices to expand the country's productive facilities. This is slightly less than the gross domestic investment in the projected national income accounts given in Chapter IV but considering that the national accounts figures are at 1960 prices, this estimate of sectoral requirement is actually considerably less than the total projected gross domestic investment. This is accounted for by the fact that the sectoral totals only include the identifiable projects and activities that are to be promoted under this program and does not cover the normal general development and investment activities that occur as a result of the people's productive efforts.

This investment is so programmed and allocated to allow for the complementary development of the different sectors of the economy as shown below:

1. Agriculture

(In million pesos)

Sector	1967	1968	1969	1970	4 Years
Public	34.0	38.0	40.0	46.0	158.0
Private	358.0	462.0	593.0	763.0	2,176.0
Total	392.0	500.0	633.0	809.0	2,334.0

2. Mining and Manufacturing

Sector	1967	1968	1969	1970	4 Years
Public	31.2	44.0	48.2	51.0	174.4
Private	614.0	703.8	860.8	958.8	3,137.4
Total	645.2	747.8	909.0	1,009.8	3,311.8

3. Infra-structure & Public Utilities

Sector	1967	1968	1969	1970	4 Years
Public	641.5	631.0	657.2	591.0	2,520.7
Private	767.9	778.6	894.3	905.4	3,346.2
Total	1,409.4	1,409.6	1,551.5	1,496.4	5,866.9

4. Trade

Sector	1967	1968	1969	1970	4 Years
Public	68.2	34.0	39.0	41.0	182.2
Private	242.0	321.0	372.2	446.0	1,381.2
Total	310.2	355.0	411.2	487.0	1,563.4

5. Social Services (Human Resources & Social Development)

Sector	1967	1968	1969	1970	4 Years
Public	100.5	117.4	130.6	131.2	479.7
Private	5.3	23.0	16.2	21.8	66.3
Total	105.8	140.4	146.8	153.0	546.0

6. Four Years by Source

Sector	1967	1968	1969	1970	4 Years
Public	865.7	870.4	912.4	861.0	3,509.3
Private	1,996.9	2,282.4	2,739.3	3,094.2	10,112.8
Total	2,862.6	3,152.8	3,651.7	3,955.2	13,622.1

7. Four Years by Sector & Source

Sector	Public	Private	Total
Agriculture	158.0	2,176.0	2,334.0
Mining and manufacturing	174.4	3,137.4	3,311.8
Infra-Structure and public utilities	2,520.7	3,346.2	5,866.9
Trade	182.2	1,381.2	1,563.4
Social services (human resources & development)	479.7	66.3	546.0
Total	3,515.0	10,107.1	13,622.1

A total of ₱2,334 million or 17.1 percent of the total investment requirement is earmarked to increase the production capacity of agriculture for the program period. Of this amount, ₱158.0 million or 6.8 percent is the investment requirement of the government which represents land improvements, expansion of experimental stations, breeding animals, etc. The rest amounting to ₱2,176.0 million, or 93.2 percent is the contribution of the private sector in the procurement of agricultural machinery for the crop, livestock and poultry farms and fishing and forestry equipment.

The mining and manufacturing sector requires ₱3,311.8 million investment to support the programmed production goals. This amount is 24.3 percent of the total investment requirement and reflects the capital intensity in this sector to effect a faster rate of industrial growth. Only ₱174.4 million is required to support pioneering and non-competitive government manufacturing corporations and the rest or ₱3,137.4 million is needed by private industrial investors.

The bulk (43.0%) of the investment requirement goes, however, to infra-structure and public utilities sector with the government providing ₱2,520.7 million, or 18.5 percent of total investments and the private sector contributing ₱3,346.2 million, or 24.5 percent of total requirements.

The trade promotions and the relatively small trading activities of the public sector necessitate ₱182.2 million government capital formation. It is the private trading sector which needs ₱1,381.2 million or 88.3 percent of the total trade investments to facilitate the movement of goods.

Improvement in the human resources and social development sector requires an investment outlay of ₱546.0 million representing additional schools and hospital facilities, low-cost housing units and social welfare services both in the government and private sectors.

The sectoral programs call for a total investment outlay of ₱13,622.1 million of which ₱3,509.3 million or 25.8 percent will have to be provided by the government and ₱10,112.8 million or 74.2 percent by the private sector. The share of government will be financed from expected government savings, reparations and loans both domestic and foreign. According to government estimates, the government savings, - the surplus after deducting the current operating expenditures and debt service - is ₱1,010 million in the next four years. From reparations, assuming that this will all be used by the public sector, some $120 million or ₱480 million will be available. This means that the deficiency to be covered by domestic and foreign borrowing will be ₱2,020 million.

Of the total private investment requirement of ₱10,112.8 million for all sectors ₱7,512 will come from private savings and depreciation allowances. The financial gap of ₱2,600 million will be financed out of loans which the government will have to arrange and supply.

From the above, it appears that ₱4,620 million will be the total additional borrowing for the next four years to complete the financing of the development program. The breakdown of these borrowings between the private and the public sectors by years is shown in the following:

	1967	1968	1969	1970	Total
Public Investment	865.7	870.4	912.4	861.0	3,509.3
Savings	203.0	236.0	267.0	305.0	1,010.0
Reparations	120.0	120.0	120.0	120.0	480.0
Borrowings	542.7	514.4	525.4	436.0	2.020.0
Private Investment	1,996.9	2,282.4	2,739.3	3,094.2	10,112.8
Private Savings & Depreciation	1,445.0	1,700.0	1,995.0	2,380.0	7,512.0
Borrowings	551.9	582.4	744.3	714.2	2,600.0
Total Borrowings	1,094.6	1,096.8	1,269.7	1,150.2	4,620.0

It would appear that the foregoing investment program will require extraordinary efforts to realize. It will require first of all an intensive tax collection to improve the finances of the government; while keeping current expenditures to the minimum, to realize the savings estimates which can be channeled to capital investment in developmental projects. Secondly, it will require active promotion of exports to attain the volume of trade projected and the level of foreign exchange earnings to finance imports.

Then, some measure of discipline will be needed in order to permit the heavy injection of funds into the money stream for the massive development contemplated without unduly upsetting the stability of the economy. The consumption pattern must be influenced so that as money is poured into the money stream to increase the money supply increases, this money is not used in such a way that consumption would rise disproportionately. A good part of the money-input should be placed in investment whose pattern should also be influenced so that it will be mainly used for development rather than for non-essential activities or real estate. To this end, the use of tax incentives as well as moral suasion from the Central Bank and other regulatory agencies, particularly in the extension of credit facilities, should be fully exploited.

As money supply grows, undue rise in prices should be curtailed by providing the required corresponding volume of goods. As the program moves along, additional goods will be produced locally which provides a deflationary effect. On top of this, additional foreign exchange should be provided to meet the pressure for imports, without impairing the exchange rate. In any case, import of non-essential and luxury goods should be discouraged.

Chapter VI

THE STRATEGY OF DEVELOPMENT

In the Philippines, free enterprise has generally existed as an integral part of the democratic system. It has been the long-established policy of the Philippine Government to give to the private sector maximum participation in economic development, consistent with the "capitalist" character of its free society. Government participation is concentrated primarily on the supporting fields of public works, irrigation, power, education, health and other aspects of social development. In the field of production, the government's role is limited to lending support, encouragement, and direction to private enterprise when needed. The government has engaged in business activities and undertaken industrial projects which were found highly desirable but which private enterprise was not ready, willing or able to undertake at the time.

This Four-Year Program of Economic and Social Development for FY 1967 to FY 1970 has been designed with full cognizance and understanding of this prevailing economic system and developmental policy and practice. It recognizes firstly, that the burden of responsibility for implementing development programs and projects falls largely on the shoulders of the private sector, and secondly, that the government is to provide the infrastructural and other similar program and project supports, formulate and adopt public policies that will render highly favorable the climate of investment, improve the efficiency of governmental operations, especially insofar as business-government relations are concerned and, at the same time, utilize the long-term funding resources of the government and its financial institutions and government guarantees of private long-term foreign borrowing as a priori motivating devices to encourage the flow of private investments towards priority areas and activities for development.

In other words, the government will try its best within its power under democratic processes to provide encouragement to the private sector, i.e., extend assistance and support to private enterprise to accelerate the tempo of economic growth, and remove as much as possible obstacles and impediments to such growth.

The strategy of economic development has to take full account of the fact that it is the market mechanism which determines generally the allocation of scarce resources in a private enterprise economy. The government, however, under responsible and enlightened national executive and legislative leadership, working with mutual understanding, could provide the basic inducements to "engineer" the flow of economic resources towards pre-conceived priority projects or uses as are required to insure the attainment of the planned rate of growth. This accentuates the vital role of the government in the implementation of this Program which will have to be appreciated by both the public and the private sectors.

Obviously, an assessment of the means for economic development and of the proper use of governmental power to effect them, is crucial to the success of the Program. The extent to which the government can directly allocate resources or indirectly influence their use will be the major determinant of the growth of output, real income and employment during the program period.

The strategy of development that is proposed to be followed by the government is indicated in the following suggested lines of action.

Spiritual Reorientation The first target is preconditioning the minds of the people, especially those who exercise leadership, to the urgency of stimulating progress and the efforts and sacrifices that it entails, so that they may become growth-conscious and willing to work and cooperate to attain this goal. A moral and spiritual reorientation is called for at the moment to cultivate positive thinking based on self-discipline in work, in business, in social and political life. The highest leadership of the nation, the leaders in the provincial and municipal levels, the civic, business and political leaders will have to carry out this drive by preaching and by example.

Government Reorganization The second target is the reorganization and restructuring of the governmental machinery for economic development. This should be done as soon as the enabling legislation shall have been approved by Congress.

It is generally recognized that the governmental organization for planning and implementation calls for radical improvement in terms not only of structure but also of procedures and staffing patterns as well.

The sudden proliferation in the number of organizations and the abnormal increase in the number of personnel in government during the last few years have led to operational inefficiency, low morale and discipline among employees and the tremendous erosion of employee values and attitudes towards honesty and efficiency in work performance. The deterioration of the public service has resulted in making governmental agencies a major deterrent instead of a facilitator of a more rapid rate of economic development. The flagrant violation of civil service requirements which has even led to the appointment of men without the necessary qualifications and proven capabilities to positions of high responsibility is not uncommon.

Red tape, graft and corruption, lack of initiative and even apathy towards work, non-cooperation, lack of a true sense of public responsibility, sarcasm, discourtesy and such similar acts are often aired by those who deal with the government. These practices have affected the efficient operation of public agencies on a nation-wide basis."

The foregoing problems of public management will have to be thoroughly studied and properly remedied so that the performance efficiency of all government agencies will be improved through proper organizational restructuring and staffing.

Reorganization for Programming and Implementation

The start should be with the planning agency. The consensus is that the National Economic Council and the Presidential Economic Staff should be abolished and a Department of Economic Affairs constituted directly in the Office of the President under which their functions should be clarified and integrated. This new agency should be headed by an Executive Secretary for Economic Affairs who can act for and by authority of the President. The present Executive Secretary's position will have to be converted then into an Executive Secretary for Political and Administrative Affairs.

The objective in creating this new Department is to place economic planning functions not only at the highest possible level but to put at the same time the Executive Secretary for Economic Affairs and his highly qualified program planning and implementing staffs in direct contact with the President. This type of arrangement could promote effective communication and closer rapport, considering the fact that economic planning, since the end of the last war, was given prime attention by the heads of states not only in developing countries but in developed ones as well. The Council, more or less as presently constituted, should be maintained as adviser to the Executive Secretary for Economic Affairs and the President.

Structurally, the Department of Economic Affairs should include as core offices: (a) a Program Planning Agency, (b) a Program Implementation Agency, and (c) an Statistical Coordinating and Servicing Agency.

Concurrently, the highest degree of objectiveness should be exercised in the selection, recruitment and placement of keymen to whom national planning responsibilities will be given. For the technical group, WAPCO and civil service rules should not apply; salary scales, allowances and fringe benefits should equal those of public financial institutions, if experienced, highly qualified men are to be really attracted and kept to make economic planning work a life career.

Simultaneously, planning and program evaluation units should be created at departmental, bureau and similar agency levels in order to provide the required machinery for planning at project level. The creation of planning and evaluation units at operational levels could lead to the proper and effective coordination of planning and evaluation activities, leading to the consequent improvement in the processes and techniques of national economic planning. This proposal completes in a way the program planning and implementation circuit of government, equipping it better to discuss planning and implementing functions and responsibilities with those in the private sector. Only thus can government really evolve a national plan which would be considered realistic and practical to implement.

The proposed Department of Economic Affairs should be given the power to evaluate and recommend to the President for approval, as the need may arise from time to time, on a continuing basis, even after the proposed reorganization shall have been completed, the reorganization of government agencies having to do with planning and program implementation as well as improvement in the procedural policies, recognizing the fact that improvement of organization should be a continuing managerial function.

There is much duplication of activities and overlapping of functions of government agencies performing implementing activities in economic development. These should be remedied by merging and consolidating or abolishing some offices. Where they are unavoidable, coordination should be seriously attended to. Cases of this character are: (a) the irrigation program where four separate agencies are involved, (b) electrification where there are two agencies, and (c) agricultural extension work where three agencies are concerned.

The organizational capability of the different departments, bureaus and offices which are engaged in the implementation of projects will have to be substantially increased if the pace of work required to achieve the targets of the program is to be attained and maintained. In the first place, while the number of personnel in many of these offices is considerable, the proportion of those who have the qualification, competence and dedication is very limited. Also, the procedures followed in the conduct of operations are saddled with red tape, and are not suitable for expeditious performance according to planned time tables and work schedules.

The government will have to devise and establish new agencies that can carry out expanded activities along lines not now, or otherwise inadequately, parsued. These will be discussed elsewhere when such activities are set forth.

The government agencies and instrumentalities with which private business organizations are generally in contact, including but not limited to the Bureau of Customs, the Bureau of Internal Revenue, the Securities and Exchange Commission, the Public Service Commission, the Land Transportation Commission, the Development Bank of the Philippines, the Government Service Insurance System, and the Social Security System, should be streamlined to serve promptly, efficiently and economically the needs of the private sector.

Improvement of the Peace and Order Situation One of the principal deterrents to economic progress is an unstable peace and order situation. Thus the program requires the modernization and streamlining, and if necessary, reorganization of all agencies having to do with the maintenance of peace and order. Among the steps that will have to be undertaken are:

1. Minimizing the influence of politics on law-enforcing agencies;
2. Upgrading the salary levels of police officers;
3. Raising and standardizing the qualification requirements for entering the police service;
4. Intensification of the pre-service training for those seeking entrance into the service and of the in-service training for those already in the police agencies; and

5. Involving and securing the active assistance and cooperation of civic organizations, community schools and other appropriate groups in the task of maintaining peace and order.

Fiscal Management The maximization of the efficiency in utilizing government revenues is an important element of the program strategy. Toward this end, the program proposes that the level of expenditures of the government from the general fund be maintained within the probable revenue reasonably realizable from such sources, and that the programs of expenditure should be realigned to place emphasis on those activities which are considered urgent and critical, and the implementation of those programs should be organized as efficiently as possible.

The financing of developmental activities is proposed to be derived from whatever special funds are now available or might be further tapped, supplemented by domestic and foreign borrowing under an amended RA 1000 and RA 16, with the ceilings thereof raised. Maximum effort should be exerted, however, towards opening up non-inflationary sources of borrowing through the development of the domestic market for treasury bills and medium and long-term government bonds.

The government is engaged in the following general areas of development activity and public funds are being used for these purposes:

1. Management and conservation of natural resources including land use capability and cadastral surveys, forestry administration, mineral claims policy, ground and surface water surveys, conservation and utilization;
2. Improvement of production and productivity of rice and corn and the transport, storage, milling and marketing of these commodities;
3. Development of livestock raising, transport, marketing and processing;
4. Modernization and development of fresh and brackish water fisheries including storage, distribution and processing of fish products and by-products;
5. Nationalization of forestry exploitation, fuller utilization of forest products, improvement in efficiency of existing logging, wood fabrication and processing operations;
6. Industrial reorganization, improvement of productivity and refinancing and expansion;
7. Domestic and foreign trade development and export promotion and diversification;
8. Expansion and modernization of public utilities in the fields of power, municipal water works, telecommunications, sewage and transport;
9. Housing resettlement, slum clearance and urban planning;
10. Education and manpower development including the formal

school system from primary to higher education, trade schools, apprenticeship programs, and management training institutes;

11. Essential public works projects of government including the highway and feeder road construction program, ports and harbors maintenance, expansion, development, dredging programs, airport improvement, flood control, irrigation and shore protection projects, government and school building programs;
12. Strengthening of the regulatory functions of government and formulation of rational policies, to guide the Public Service Commission, Insurance Commission, Securities & Exchange Commission, Tariff Commission, and other such agencies;
13. Strengthening the agencies enforcing critical economic legislation particularly as regards infractions which affect conservation of natural resources and protection for domestic industry. Special emphasis should be given particularly to anti-smuggling and rigorous enforcement of customs laws;
14. Strengthening the police arms for the preservation of public safety, peace and order; and
15. Improvement of public administration starting from instruments of presidential control and supervision, economic and fiscal planning, fiscal and cash management, procurement, inventory control and management, project administration, public debt management and personnel recruitment, placement and promotion.

It is proposed under this Program that continuing studies be made of the role of the government in these areas, of the resources being devoted to them, the priorities being given from time to time, the budgetary needs for their proper and efficient implementation, and the organizational changes required to make government performance more effective and meaningful.

Role of Government Corporations It is proposed under this program to make more effective use of the government corporations as instruments of economic development. The program endorses the policy of selling government corporations or specific plants, or enterprises operated and owned by the government which private groups are willing and able to buy. Specifically, it suggests that the NASSCO shipyard, the Engineer Island Shops, the Panganiban Plant, the Malangas Coal Mine, the small independent hydroelectric plants of the NPC, the Manila Hotel, the Pines Hotel and Taal Vista Lodge, the NDC ocean-going vessels, the Manila Gas, the Government Telephone System, and others be sold. To speed up the process, the government must dispose of them under the most liberal terms not only in down payment requirements and interest rate, but also in the period of deferred payment. It should be in the interest of the government to dispose of them as soon as possible even without profit, or at a loss in certain cases to Filipino business groups. More strongly is this step justified if such government corporations have already lost their pioneering objective and are now competing instead with private enterprise.

On the other hand, the government through any of its corporate organizations, must be ready to pioneer in new production lines where the private businessmen are not ready and are unwilling to invest. These fields of production are those which are highly complex; those which need huge amounts of capital; those in which the risks involved are difficult to accurately forecast; and those in which either processes or end-products are still unfamiliar to local entrepreneurs.

A scheme should be devised, however, where management could be given to private groups on contract basis. In feasible cases, joint venture projects between government and private groups, domestic and/or foreign may be entered into as the case may be. The government, however, should sell such corporations or its share in them the moment they become profitable and self-sustaining.

For service corporations which cannot or should not be sold, however, efforts must be exerted to improve their operational efficiency. The Philippine National Railways, for instance, which serves as trade link between the production and consumption areas should be immediately rehabilitated, modernized and expanded to stimulate production and investment in the areas it serves. NAWASA must be decentralized with the operating units given back to their former juridical owners. The Manila system should be reorganized and invigorated to supply adequately the needs of the greater Manila area. Agricultural service and research corporations must be strengthened so that their impact on agricultural industries could better be felt. The NAMARCO should be reorganized, and revitalized to serve effectively the Filipino retailers and make the Retail Trade Nationalization Law really meaningful.

Preferred Areas of Investment The following are the preferred areas of investment under the program, which shall be given high priority and be entitled to encouragement, and protection from the government:

1. Plantation Crops Cultivation
   a. Rubber farm operation, from land preparation to the sale of smoked rubber, where the area cultivated is at least five hundred hectares;
   b. Cotton farm operation, from land preparation to the sale of ginned cotton, where the area cultivated is at least three hundred hectares;
   c. Soybean farm operation, from land preparation to the sale of dry beans, where the area cultivated is at least one hundred and fifty hectares; and
   d. Commercial production of seeds and seedlings.
2. Livestock
   a. Dairy farm operation, which maintains a minimum stock of one hundred heads;

   b. Beef cattle breeding from farm operation to the sale of cattle-on-the-hoof for slaughter which maintains a minimum stock of three hundred heads; and

   c. Raising of breeding animals.

3. Fishing

   Deep-sea fishing operations which employ vessels with a minimum dead weight of one hundred tons each.

4. Mining

   a. Base metal mining, including prospecting; and

   b. Crude petroleum and natural gas well operation, including exploration.

5. Food Manufacturing Processing

   a. Manufacture of milk products, including the transformation of fresh fluid milk into butter, cheese, powdered milk, or other milk compounds; and

   b. Canning of fish and other sea foods, including fish meal, manufacturing and processing of fish and canning by-products.

6. Chemical Products

   a. Manufacture of basic industrial and agricultural chemicals; and

   b. Basic manufacture of medicines, biologicals and other pharmaceutical preparations and products.

7. Pulp and Wood Products

   a. Manufacture and conversion of wood and other pulping materials to pulp.

   b. Manufacture and conversion of wood into plywood and veneer.

8. Non-Metallic Mineral Products

   Manufacture of ceramic refractories.

9. Basic Metals and Metal Products

   a. Iron and steel basic industries;

   b. Non-ferrous metal (copper, chrome, manganese, aluminum) basic industries; and

   c. Metal engineering and fabrication industries.

10. Non-electrical machinery

   a. Manufacture of engines and turbines;

   b. Manufacture of tractors and farm machinery; and

   c. Manufacture of industrial machinery, equipment and spare parts.

11. Electrical machinery

   a. Manufacture of electrical transmission and distribution equipment, industrial machinery and apparatus;

   b. Manufacture of electrical communications equipment;

   c. Manufacture of electronic tubes and components for radio and television receiving sets and other electrical appliances.

12. Transport equipment and operation

   a. Manufacture of motor vehicles;

   b. Manufacture of spare parts and accessories for ships, aircrafts, tugboats, barges and motor vehicles; and

   c. Inter-island shipping utilizing vessels with a minimum dead weight of one thousand five hundred tons.

13. Storage

Operation of commercial cold storage facilities for vegetables, fruit, meat, fish and fresh milk.

14. Trade Organizations

Establishment and operation of enterprises to engage in a nationwide wholesale trading, marketing and distribution, and in large scale or region-wide import and export trade.

Agricultural Expansion The strategy for agricultural development consists in the government providing the necessary incentive measures, institutional changes, and regulatory and administrative devices to stimulate motivation and foster initiative among individual producers so that their production activities will be geared toward increased national agricultural output. Of highest priority is the massive program of rice production which is being pushed with utmost vigor by the administration. Of less priority but of equal urgency in our development is the production of corn and other foodstuffs and feeds, and our export technical crops and livestock.

Among the means to achieve this objective are: (a) the improvement in the organization and close coordination of the government agencies in charge of agricultural development, and (b) improvement in the methods and techniques of agricultural production, financing and credit, agricultural marketing, education, research and extension, infrastructure facilities, and land tenure.

1. Agricultural Extension Very much intensified education and extension work is required to improve the farming methods and techniques by bringing to the farmers the results found in laboratories and experimental centers which can be used by them advantageously. These should be diffused among the people through demonstrations, lectures, farm visits, and various communication media.

2. Agricultural Research Agricultural research is to be intensified. The research program through the U.P. College of Agriculture, the Bureaus of Plant Industry, Animal Industry and Soils, the Philippine Sugar Institute, the Philippine Coconut Research Institute, the Philippine Fisheries Commission, the Philippine Fishery Research Institute and other institutions undertaking research work with the National Science Development Board, will be given adequate funds to pursue their programs vigorously. Emphasis will be given to those directly affecting the problems of farmers and the national economy in general. An Office of Experiment Stations in the DANR which will coordinate research in this department should be established or created to avoid research duplication among agricultural agencies. This will serve as a clearing house before any research project is undertaken.

3. Agricultural Cooperatives and Marketing To help the farmers realize more from their produce, which is a powerful incentive to increase production, and to enable them to avoid the middlemen who tend to exploit them, a strong and centrally-organized agricultural

marketing organization should be established. Such organization should consider the standardization of the products of agriculture, the establishment of agricultural exchanges, warehouses, cold storage plants, market forecasting, and other such activities connected thereto. Cooperative marketing makes it possible to market farm products with better bargaining power.

The Agricultural Productivity Commission (APC), which is charged with the promotion and organization of farmers' cooperatives should intensify and carry out this activity with more vigor to strengthen the position of farm producers in relation to other social and economic groups.

4. Agricultural Credit To widen the protection of the small farmers from lenders at usurious rates of interest and to make unnecessary the pledging of their standing crops at much lower current prices, credit should be made available at a more expanded or on a better supervised basis, integrated with practical farm and home management guidance.

Credit should be continually made available to farmers preferably under a supervised credit scheme from the Agricultural Credit Administration, the Philippine National Bank, the Development Bank of the Philippines, and the Rural Banks. Moreover, the possibility of credit on more liberal terms at comparatively lower rates of interest, and easier to obtain should be continuously explored. Farmers should be encouraged to build up savings in order that they can have sufficient funds to finance their agricultural activities. In so doing, they will have more resources to back up their credit worthiness. This will be made possible thru the organization of credit associations.

5. Infrastructure For proper expansion of production, full development of infrastructure facilities is a must. This is discussed more lengthily under the Services (Utilities) Sector.

The construction of gravity irrigation systems preferably with storage facilities, irrigation pumps where gravity irrigation is not feasible, feeder or farm-to-market roads are all important for pushing agricultural development forward.

6. Land Tenure The Land Reform Code (R.A. No. 3844) is in effect and implementation has been started in several pilot areas. It has been found that the farmers are not conditioned to assume the role and the responsibility of ownership and leasehold, and that huge sums of money are needed to adequately implement the law. The need, therefore, is to educate and train the farmers and prepare their minds for its implementation which takes time, and to provide the funds required gradually. The operation of land reform should be confined initially to the already declared land reform districts and effort concentrated therein to develop the practical techniques for successful implementation. Expansion of the coverage of the land reform program should be made later when success has already been attained in the pilot areas. Training of land reform workers, should in the meantime, be expanded and intensified in preparation for the full

implementation of the program. It should thus be made clear that other areas will not be disturbed in the meantime, to eliminate speculative developments therein which might hamper production in those areas.

7. Other Measures Other measures intended as incentives for the agricultural producers to accelerate production of crops, animals, fish and forestry products are the following:

a. Expeditious issuance of land titles by the Bureau of Lands and the Courts so that the owner can use the land as collateral.

b. The land capability survey and other activities connected with land productivity undertaken by the Bureau of Soils should be expedited. Results of these surveys should be made available in languages or dialects understandable to the farmers.

c. Development of new crops should be promoted to diversify farm production activities and expand the production of raw materials for industry and for export. Among these crops are soybeans, cotton, wheat, spurious abaca and bananas.

d. The Virginia Tobacco Subsidy Law should be amended by gradually withdrawing the subsidy but introducing a scheme whereby tobacco farmers are assured of reasonable production and commodity loans, given encouragement to establish their own processing and cigarette manufacturing plants, and afforded the opportunity of selling their tobacco in a tobacco auction floor trading to be established by the government.

e. An Animal Industry Council should be created as soon as possible to bring about the proper coordination in the planning and programming of the development of the animal industry of the country and the implementation of the plans and programs adopted. The Council should be made up of men in the government service and those in the private sector that are actively engaged in animal production.

f. The Philippine Fisheries Commission created under R.A. 3512 approved on March 20, 1963, should be fully organized to improve its service to the fisheries industry. The fishery resources should be managed so that the maximum sustained yield from these resources would be obtained. An extensive and intensive survey should be conducted to ascertain the potentialities of the deep-sea and off-shore inland waters, and swamp land resources, the result of which should be made available to the fisheries industry for development purposes.

g. The Bureau of Forestry, the Reforestation Administration, and the Parks and Wildlife Office should be fused into one office in the Forestry Commission so as to attain maximum coordination of all matters affecting forest management and enforcement of forestry laws for the better protection and conservation of our forests. A 10 percent tax (ad valorem) on all export of logs and an increase in the forest charges on timber cut should be imposed to discourage log exports and provide funds for better supervision of the forests. The policy of not granting timber licenses and concessions to applicants without established plants for processing timber into lumber, veneer and/or plywood should be enforced to the letter. A program for the gradual reduction of log exports by 10 to 15 percent every year based on the export of logs in 1965, should be started in 1967.

a. **Refinancing of Distressed Industries** Of highest priority in the strategy of development is the refinancing of distressed industries for the purpose of placing them in a position to maximize their output and minimize their production costs per unit. This has been started by the Development Bank of the Philippines, and is now in progress. The principal funding sources are the public financial institutions and the securities market.

To insure that the refinancing program will not serve to perpetuate the undesirable features of the present industrial structure and, further, to make it instrumental in advancing the long-term structural goals of the industrialization program, it is planned that:

1. Only potentially viable industrial firms with promise of enduring stability shall be accommodated;

2. Priority for loan refinancing shall be identified with the realization of the objectives and goals elsewhere treated in this Program with assurances of backward and forward linkage effects. Firms presently engaged in the production of foods, feeds, clothing, school and office supplies, basic metals and chemicals, non-metallic minerals, and construction materials and various other complementary industries that support their operation should be given preference; and
3. The refinancing program should be used as a lever to effect reorganization and merger of enterprises to place them in a stronger position and improve their management.

Industrial Promotion The Program provides for the establishment of new industrial enterprises to supplement the existing industrial capability of the nation. The industries to be established consist mainly of basic metals and chemical industries, food processing plants, non-metallic manufactures and wood industries. It also proposes to expand the existing capacities for the production of agricultural machinery and hand tools, non-electrical machinery and electrical machinery, transportation equipment and spare parts, foundry, machine shop and shipbuilding.

It will be noted that these are mostly heavy industries which will process local raw materials into intermediate or finished products that can feed into existing end-product industries or supply the consumer needs of the country. They will provide the backward integration necessary to link our present industrial enterprises to our natural resources in order to increase substantially the domestic content of our products, reduce unemployment and relieve the present heavy drain on our foreign exchange due to importation of semi-processed raw materials.

It is in the nature of these industries that they require large amounts of capital to set up and entail a longer period of development before they can be self-sustaining. In certain cases, they have to devote considerable time and expense, to process adaptation to the particular quality of local raw materials. Because of these characteristics, these industries are not as attractive to investors as the packaging and assembly types. Consequently, very substantial incentives are needed to induce the Filipino citizens and industrialists who have the capital or the means to invest in these particular industries.

The strategy of development, therefore, in this particular case, is for the government to provide such incentives to Philippine nationals or to joint ventures, 60 percent of the capital of which are owned by Filipinos. Of course, these incentives will be extended only to those enterprises which will establish the industries given high priority in our industrial program.

These proposed incentives are:

1. Incentives in favor of the enterprise:

a. Ratable deduction from taxable income of all organizational and pre-operating expenses, over a period ranging from five to ten years after start of operations;

b. Accelerated depreciation of fixed assets as a deduction from taxable income over a period of eight years, or over the expected life of the fixed assets, whichever is shorter;

c. Carry over of net operating losses incurred during the first three years of operations as deduction from taxable income for the five years following the year of such loss;

d. Exemption from tariff duties and compensating tax of all importations of machinery, spare parts, equipment and other capital goods needed in the installation and maintenance of plant facilities, within five years, except those machinery, spare parts, equipment and capital goods which are manufactured locally at competitive quality, prices and terms; and

e. Declining tax exemption over a period of four years after start of operation from tariff duties and compensating tax on importations of the yearly raw material requirements, provided they are available locally;

2. Incentives in favor of investors in such enterprises;
   a. Exemption from income taxes on capital gains realized from the sale or transfer of capital assets, provided the proceeds from such sale or transfer are invested directly in such enterprises;
   b. Exemption from income taxes for a period of five years, on dividend payments and similar distribution of profits derived from investments in such enterprises;
   c. In the case of foreign investors, exemption from withholding tax on dividend payments and similar profit distributions received from such enterprises; and
   d. In the case of foreign creditors, exemption from 50 percent of the withholding tax, or such portion of the tax that they cannot apply as credit in their own country, on interest payments received from such enterprises.

Considering the scarcity of capital in the country and the indifference of Filipino investors, particularly in this type of industrial ventures, it is necessary that, in addition to the incentives provided above, the government support directly the organization of such enterprises by contributing to the equity of the enterprises and by extending loans to them or guaranteeing loans secured from foreign creditors, under a formula more or less as stipulated below:

1. For Filipino wholly-owned enterprises, 20 percent of the total capital requirements will be contributed by Filipino private investors in common stock; 20 percent will be supplied by the government through its financial institutions in the form of preferred shares convertible under certain terms and conditions to common stock, and 60 percent as loans or guarantees;
2. In the case of joint ventures where not less than 60 percent is owned by Filipinos, 12 percent of the total capital requirement will be supplied by Filipino private investors in the form of common stock; 12 percent by the government in preferred shares convertible to common shares; 16 percent by the foreign investor as common shares; and 60 percent in the form of loans or guarantees.

It is understood that if the equity-loan ratio is changed, the percentage participation will be modified accordingly. It is further understood that the above percentage shares of the private Filipino investors will be considered as the minimum and it goes without saying that greater Filipino participation will be preferable.

To encourage participation by foreign investors in joint ventures with Filipinos of up to 40 percent, they should be assured of the following rights:

1. Repatriation of the full amount of capital investment from foreign sources including reinvested profits attributable to capital from such sources;
2. Remittance of profits attributable to capital from foreign sources;
3. Remittance of payments of interest and principal of foreign loans and other foreign obligations;
4. Freedom from compulsory transfer of ownership of assets except through expropriation by the Government for a public purpose with just compensation, and remittance abroad of any sums of money received as such compensation;
5. Freedom from requisition of assets, except in the event of a state of war or national emergency and only for the duration thereof and with just compensation;
6. Fair treatment in accordance with international law in respect of assets seized, attached or controlled by the Government in case of armed conflict with the country of such foreign nationals.

7. Protection from infringement, misuse, or misappropriation of patents, trademarks, copyrights, trade names and other proprietary rights; and
8. Employment of foreign nationals, in administrative, supervisory, technical or advisory positions, not in excess of ten percent of the total personnel of the enterprise, within a period of five years from the organization of the enterprise.

For the purpose of preventing overcrowding in any particular industry, it is further proposed that the establishment of new manufacturing enterprises be regulated through the requirement of an Industry Establishment Certification by the over-all economic planning and implementing agency (National Economic Council or Department of Economic Affairs) before any new firm can be allowed to organize and register with the Securities and Exchange Commission and/or the Bureau of Commerce. Apropos of this, the aforementioned over-all planning agency shall, before issuing such Certification, ascertain first whether the industry in which the new enterprise plans to engage is overcrowded or not. Through this device, it will be possible to guide investments and to achieve a wider industry dispersal, as well as avert unfair competition.

In general, it should be recognized that the overriding objective of investment in industry is profit, reasonable profit commensurate with the risk taken and the period of waiting. The government should thus at all times assure that such profits shall be made realizable and will not be discouraged or impaired.

Infrastructural Development-Supporting Projects An important strategy for propelling development is the adequate and systematic provision for infrastructural facilities necessary for the development of agriculture, industry and the services. This has to be pursued vigorously to generate maximum benefits to the economy.

The infrastructural development-supporting projects endorsed in the Program are to be organized and financed by both the public and the private sectors. In the fields of irrigation, electric power, transportation and communications, both the government and private enterprises will have to play a significant role.

Private and public projects covered by this proposal are identitifiable in the chapter on Sectoral Programs and more particularly in the Infrastructure and Utilities Chapter of Part II.

For the implementation of the governmental portion of the infrastructural program, however, the following priorities are laid out for the guidance of the operating agencies concerned:

1. Completion of important projects that have been started, but which are still unfinished because of the lack, or delay in the release of funds. Appropriated funds for such projects should be released by the Budget Commission as soon as available, in accordance with the construction schedule submitted by the operating agencies; and

2. Implementation of new projects on the basis of the ratio of benefits to cost, as the measure of the contribution to the economy.

In the implementation of infrastructural programs, the services of private construction firms should be availed of on a contract basis. In the choice of contractors, capability and responsibility of the contractor as proven by past performance shall be a prime consideration. The services of the Army Corps of Engineers will, however, be used whenever advisable.

The attention of the implementing agencies should be repeatedly called to the indispensability of fidelity in the custody and application of funds to the end that these are used only for their intended purposes. Diversion and dissipation of funds for projects other than those already programmed should be stopped. Wastage of funds for unnecessary personnel for inflated overhead, and for over-priced purchases should be discontinued. Collusion among contractors, and between contractors and government inspectors should be detected and suppressed.

For self-liquidating infrastructural projects, earnings should be paid into the proper fund which is intended for maintenance purposes, either for repayment of capital obligations or for financing expansion or additional projects. They should not be malversed, diverted or misused.

Considering the magnitude of the infrastructural program, the agencies implementing the program should be reorganized to improve and strengthen their capability and competence. Maximum advantage should be taken of contract services for detailed engineering, surveys and preparation of plans and specifications.

Likewise, many offers from the private sector both local and foreign to undertake the construction of public works projects on a complete turn-key basis including financing should be fully exploited. In these cases, public bidding should also be resorted to, but the specifications and the bidding conditions should clearly indicate the minimum terms desired and the criteria for the evaluation and comparison of bids, taking into account the price and the terms of financing. Care should be taken naturally that only responsible and capable bidders will be allowed to participate, through a reasonable prequalification procedure for prospective bidders.

Trade Promotion The strategy of the Program in this field is aimed at a sustained attack on the continuing problems besetting this sector:

1. Lack of organized marketing systems for the smooth geographical movement of goods;
2. Alien control of the country's domestic and foreign trade;
3. Inadequacy of services that are complementary to trade such as credit, transportation, communications, and warehousing; and
4. Colonial pattern of the country's foreign trade, that is, dependence on a few basic agricultural and raw material exports, and importation of manufactured products.

Generally, the marketing of goods is undertaken in one of two ways: (a) by the manufacturer, producer or importer himself through branches, agencies, or dealerships organized for the purpose; and (b) through wholesale distributors, who are mostly aliens or of alien descent or extraction. In the first case, the operation is generally limited, uneconomical and conducive to proliferation of small trading establishments. In the second, the alien wholesale distributor naturally caters to manufacturers, producers or importers who are also aliens or of alien descent, and distributes through retail outlets of similar alien ownership and thus serves to perpetuate alien control of trade. The collection of domestic produce, and its movement and distribution within the country, and to the outports for export, is also mainly undertaken by alien dominated wholesalers.

Although it may be said that under the aegis of the Retail Trade Nationalization Law, the participation of Filipinos in this trade sector has increased; and despite statistical evidence that Filipinos are now in control of this trade, the fact is that aliens still predominate because of the continuance and preponderance therein of naturalized aliens, or descendants of aliens and Filipino dummies who register themselves as Filipinos, but who actually remain unassimilated into the native community for the reason that they prefer to maintain their strong connections, folkways and loyalties as minority groups.

Likewise, foreign trade, both import and export, is actually in the hands of foreigners, with Filipinos having only insignificant participation.

The inadequacy of services that complement the trading activity is a factor that retards commercial progress. The problem of scarcity and high cost of credit particularly in the outlying provinces still persists. Transport facilities are lacking or inadequate: the railroad is in critical shape; trucking is difficult to get as and when needed; the roads are bad and consequently, transportation is very expensive; interisland transport is insufficient and quite costly; and barges are still scarce. Communication is also difficult particularly in remote areas. Without telephone or telegraph, the transmission of trade information is almost impossible. Facilities of warehousing and storage, a necessary appendage to trade, are not available in many places.

The solutions proposed under the Program for these problems are as follow:

1. To continue efforts at encouraging wider participation of Filipinos in retail trade by:
    a. Remedying the flaws and loopholes in the effective implementation of Republic Act 1180 by curtailing the use of Section 4(a) of R.A. 1180 providing exemption for food processors and manufacturers whose capitalization does not exceed ₱5,000, by aliens who circumvent the intent of the Act; pegging the capital of aliens (single proprietorships) still in the business to a fixed and determinate amount; and giving the Bureau of Commerce the full responsibility to enforce the law strictly;

b. Amending the Anti-Dummy Law, Commonwealth Act 108, to the effect that a common-law wife of an alien engaged in any kind of business wholly reserved for bonafide Filipinos shall be considered as a prima facie evidence of violation of said law;

c. Specifically making naturalization for economic advantage as a ground for disqualification of aliens applying for naturalization and also for cancellation of naturalization when proved after the grant thereof. Testimony of commercial agents as to the economic activities of aliens applying for naturalization, or those who have already been granted naturalization in cases of cancellation or denaturalization shall be required;

d. Encouraging and assisting Filipino retailers and wholesalers through the Cooperative Administration Office. Filipino wholesalers who are tax exempt under the C.A.O. charter shall be fully encouraged to import tax-exempt goods for distribution to Filipino retailers to enable them to compete with alien counterparts; and

e. Implementing effectively and forcefully the Fair Trade Laws, specifically laws governing monopolistic practices by codifying all laws governing fair trade into one whole piece of legislation which will guide all enforcing agencies; providing such agencies with qualified personnel clothed with proper police power needed in their job; revitalizing the Fair Trade Court; disseminating widely through the radio and television, through publications and the schools, to the purchasing public, information or unfair trade practices; and speeding up judicial as well as quasi-judicial procedure in the adjudication and settlement of fair trade violations and disputes.

2. To encourage gradually the Filipinization of wholesale trade within a specified period. For smooth implementation, the wholesale trade nationalization measures should exempt manufacturers selling to Filipino wholesalers or retailers;
3. To encourage and assist the organization of strong Filipino trading enterprises which will engage in wholesale domestic distribution and foreign trade to achieve an efficient, smooth and economical movement of goods within the country, and to and from other countries. To this end, the government should match the capital put up by private investors supporting them with liberal credit and with certain tax exemptions,

more or less in the same way that the government encourages rural and development banks. Technical services should be made available to the trading firms, and training programs instituted to develop the manpower needed by these firms;

4. To promote and diversify exports to expand trade and increase foreign exchange earnings, through more aggressive and systematic trade promotion abroad of finished goods locally available, such as textiles, wheat flour, plywood, drugs and chemicals; through negotiation of bilateral or multilateral trade agreement with co-trading countries; through more effective standardization and grading of export products, establishment of overseas trade centers for the display of selected Philippine goods; conduct of effective and systematic market surveys abroad for Philippine goods, provision of export incentives for new types of exportable products, organization with co-exporting countries of copra on a cooperative basis for marketing the commodity to attain a strong bargaining position vis-a-vis international cartels; and through development of the country's international shipping with increase in Philippine bottoms to support foreign trade operations.

5. To create a National Export Trade Authority to carry out the aggressive export trade promotion plan. This Authority will coordinate all government activities regarding exports, simplify procedures, impose quality control and standardization of export products, and lend assistance to exporters. Corollarily, there should be adequate staffing and strengthening of the offices of commercial attaches in the important trade centers of the world;
6. To look actively into the desirability of commercial treaties with other nations to achieve the foregoing objectives;
7. To re-examine the Laurel-Langley agreement with the end in view of negotiating a suitable treaty that will replace it, making sure that its advantages to the economy are preserved to the maximum without, however, unduly sacrificing any of our national fundamental interests. This is discussed more fully elsewhere in this chapter;
8. To use the tariff as an instrument of national economic policy, in regulating the pattern of our imports, in protecting reasonably deserving viable local industries and in raising revenues; and as a tool in bargaining with other countries in the negotiation of

trade and other agreements, as well as a means of stabilizing prices.

Laurel-Langley Agreement. With the impending termination of the Laurel-Langley Agreement in 1974, several proposals have already been put forth anent the trade arrangements between the Philippines and the United States which shall take its place. The most feasible of these proposals appears to be the conclusion of a new Treaty of Amity and Commerce that will clearly define the political and economic relations between the two nations.

There seems to be no more question that the first aspect of the Agreement which must be abrogated even before the expiration thereof and which certainly must not be allowed to extend beyond 1974 is the so-called Parity Clause, which has not contributed significantly to the economic growth of the Philippines and which on the other hand, has merely served as a continuing irritant in Philippine-American relations.

Considering the incontrovertible fact that the United States remains the biggest single market for Philippine exports, it is imperative that adequate provisions be included in the proposed treaty for the maintenance or increase of the existing quotas, as well as substantial tariff preferences, for our staple exports, principally sugar, coconut products, abaca and cordage, embroidery, tobacco, and wood products. In addition, efforts must be exerted to minimize the tariff preferences in favor of imports from the United States to afford a measure of protection to domestic industries.

In keeping with the nature of treaties as compacts for the mutual benefit of the signatories, the Philippines should, of course, be prepared to grant certain concessions in exchange for the provisions favorable to our economy. Such concessions might have to be in the matter of quotas for movie films, machinery and food imports. It goes without saying that in no case should there be any abject surrender of fundamental sovereign rights, nor any undue extension of unreciprocated special benefits.

Meanwhile, to afford the Philippines stronger leverage in the treaty negotiations, the government must at this time take a strong stand against vested rights - after 1974 and deny this firmly, based on the specific provisions of the Agreement and in justice to Philippine sovereignty. It must also intensify the strict implementation of the Retail Trade Nationalization Law, to the end that the rights accruing to Americans should not be more than those enjoyed by Filipinos themselves, and therefore, American enterprises which are not 100 percent American-owned cannot be qualified to engage in retail trade. Likewise, the Flag Law must be regidly construed so as to plug loopholes which run counter to the spirit and intent of the statute. The provisions of the Agreement concerning commodity imports of U.S. origin should also be strictly enforced by the Bureau of Customs so that the tariff preference provided therein shall cover only goods directly manufactured in the United States and not those which are produced by U.S.

subsidiaries in other countries. The airline agreement with the United States regarding PAN-AM should be re-examined.

Apropos of this, too, an aggressive foreign trade promotion in Europe, Asia, New Zealand, and Australia should be launched to diversify and expand our export trade and lessen our undue dependence on the United States.

Simultaneously, the Philippines should try to hold on to the American market for our staple export products through product-by-product negotiations.

It is pertinent to mention at this juncture, that these measures are important in view of the basic commercial policy of our country to promote foreign trade on a multi-national, non-discriminatory basis. They are vitally necessary, regardless of the forthcoming expiration of the Laurel-Langley Agreement they become, however, extremely urgent because of it.

Promotion of Tourist Trade With the rich natural beauty of the Philippine scenery which can well be exploited in tourist attractions, the Philippines should exert greater efforts at gaining a bigger share of the world's expanding tourist trade.

The Program, therefore, proposes that the Board of Travel and Tourist Industry, with the assistance and cooperation of other appropriate government agencies such as the Bureaus of Customs, of Commerce, and others, should undertake or cause to be undertaken the following:

1. Production and distribution of travel brochures, pamphlets, and choice pictures on the Philippine scene, in cities abroad where travel consciousness is known to be at a high peak;
2. Establishment in some selected Philippine embassies and consular offices as well as in strategic cities of the world, efficient and aggressive tourist promotion agencies, which should make use of imaginative promotion campaigns issued principally at the annual stream of travelling vacationists;
3. Maintenance of close liaison with airlines, shipping, and hotel personnel for special tourist groups and individual accommodations which should include hotel arrangements in foreign points of departure and arrival;
4. Improvement of tourist roads and other tourist transport facilities and rest areas, and the beautification of all parks and sight-seeing spots;
5. Encouragement of the establishment of more first-class hotel accommodations in Manila and other important cities;
6. Provision of adequate protection to tourists by the law-enforcing agencies; and
7. A sustained educational campaign among the people designed to develop in them a national sense of responsibility and to bring out the full expression of our traditional hospitality in connection with the reception and treatment

of tourists visiting the country.

Tariff Policy An important aspect of the strategy is the proper use of tariff policy as a powerful instrument in stimulating economic development. Directly, it could induce private investments, if it is designed to effect a reduction in the cost of investment and production. It can also be utilized as a device to protect domestic industries and improve their competitive position vis-a-vis similar or substitute imports. On the other hand, it must be remembered that excessive rates could provoke undervaluation of imports, dumping and smuggling, defeating the very purpose of development and growth.

For the protection of our producers against unfair competition posed by foreign industries or commercial trusts, it is proposed in this Program that the following duties be imposed when necessary:

1. Dumping duty on foreign goods which are being imported into the country and are being sold at very much lower prices than those obtaining in the exporting country and causing damages to local counterparts (Sec. 301, RA 1937); and
2. Countervailing duty on foreign goods exported to the country which are subsidized either directly or indirectly by the country of origin and which are likely to injure

established local industries or impede the establishment of the pertinent industries (Sec. 302, R.A. 1937).

For the effective utilization of dumping and countervailing duties, it is necessary that the local manufacturers and producers cooperate actively with the Department of Finance and the Tariff Commission in reporting such acts and in helping these government agencies take speedy action by supplying the required evidence on prices abroad and existing local industries affected and proposed local industries which could not be established due to the existence of such unfair competition.

For the purpose of stabilizing prices, the President under Section 402 of R.A. 1937 is empowered to modify the rates of duties of commodities by increasing to not more than five times and decreasing by not more than one half of the statutory rates, after investigation of the Tariff Commission and upon recommendation of the National Economic Council in the interest of the general welfare, national economy and/or national defense. The President may therefore decrease the rate of duties of highly essential consumers or producers goods for the purpose of preventing undue rise in prices. In this connection, it is necessary that a continuing and sustained examination of tariff rates (aside from policy) be carried out by the Tariff Commission and the National Economic Council with emphasis on the effects of tariff on the producers and consumers' interests under the continually changing conditions and circumstances.

For an effective utilization of the tariff system as an instrument of commercial policy, the following general guidelines are indicated:

1. Higher rates of duties shall be imposed on luxury and non-essential goods, than on highly essential goods; and
2. The rates of duties on finished goods shall be higher than the rates of duties on raw materials not available locally in commercial quantities.

Stability of Exchange Rate It is a major imperative of development under this Program that the exchange rate be kept stable at the prevailing level. Should pressures on the international reserves be felt as would endanger the country's balance-of-payments position in the course of implementing this Program, the monetary authorities should see to it that any fluctuation shall be mild and tolerable. This is essential to assure stability in business planning and that the external accounts do not pose any serious threat to the achievement of the Program objectives and goals. Proper arrangements should be made and kept available at all times for a stabilization fund which can adequately support the rate.

Taxation The role of taxes as envisioned in this Program is two-fold: (a) to generate the revenue with which to defray the expenditures involved in the performance of the basic functions of the government as well as its active participation in the massive task of economic development; and (b) to serve as an instrument of development strategy in directing and influencing the flow of investments into the desired areas through the establishment of tax incentives and deterrents.

With the rapidly multiplying population and the resultant increasing need for expanded services which will have to be furnished mainly by the public sector, there is an urgent necessity for augmenting the public finances. Since taxes constitute the main source of non-inflationary revenue, it is imperative that the contribution of taxation to the national treasury be greatly enhanced and assured. Accordingly, this Program anticipates that proceeds from taxes will yield at least 20 percent of the national income.

To realize this goal, broad tax reforms will have to be instituted. On this subject, the Joint Executive-Legislative Tax Commission had already completed in-depth studies of the tax structure and problems of the country and had submitted various recommendations, notable among which is the comprehensive revision of the National Internal Revenue Code with a view to attuning the tax system to the fluid conditions and changing needs of the economy. These reforms involve the upward and downward adjustment of tax rates to make them more reasonable and realistic and the searching reexamination of the schedule of exemptions so as to eliminate those which unduly decrease the tax base. The entire system of land assessments should also be immediately updated and revised to make the assessed value more consonant with real worth.

In addition, tax collection procedures must be considerably improved and this necessitates the modernization of techniques and equipment, and the professionalization of revenue collection personnel. Since public cooperation is crucial in the effort to improve tax collections, it is indispensable that the corrupt and the misfits are weeded out from the Bureau of Internal Revenue and other tax-gathering agencies in order that the general mistrust and suspicion of the populace towards them may be dispelled.

Although the primary purpose of taxes is to accumulate financial resources, tax policy can also be very effectively used as a tool of development strategy. By restructuring the tax system, undesirable economic practices can be curtailed through the imposition of prohibitive taxes and the provision of stiff deterrents, while the activities which are desired can be encouraged by furnishing attractive incentives.

Thus, lavish and extravagant living can be discouraged by levying higher duties and excises on luxury imports. Non-productive investments in real estate can be diverted to more productive enterprises by taxing the increment in the value of idle land. Corollarily, substantial incentives for business ventures can be given in the form of allowance of carry-over of losses in the initial years of operation to offset subsequent profits, accelerated depreciation, and preferential rates for reinvested business gains. Land held for speculation or for prestige should be taxed on a steeply progressive basis, while incentives should be provided for the improved utilisation of agricultural resources. Productive investments can be further stimulated by exempting corporate dividends from taxation. Along this line, too, the tax exemption laws must be closely re-studied to abolish those which are unnecessary and to insure that those to be enforced will be truly effective in promoting industrial progress.

Monetary and Fiscal Policy As things now stand, the government is the most important source of long-term financing and, therefore, it has a pivotal role in the management of the capital resources of the country. It must perform this key function in a most courageous and imaginative manner to ensure that the most powerful leverage will be exerted in inducing maximum growth in the sectors and areas of investment that are quite essential and meaningful for the economy.

Apropos of this, it is imperative that clear-cut fiscal and monetary policies are formulated in line with this Program so that all the governmental entities involved may be properly guided and their efforts may be effectively coordinated and synchronized towards the basic objective of promoting a rising level of production, real income and employment in a regime of relative price stability.

The fiscal policy enunciated by the President in his State-of-the-Nation address and reiterated in his Budget Message is one of prudence, as manifested by his recommendation of a balanced budget and his restatement of the principle that financing of the needed infrastructural projects to support a rapid pace of growth shall be derived only from non-inflationary sources. Fiscal prudence is vitally necessary to effect maximum efficiency in governmental operations as well as avoid wastage, so that more funds may be made available for projects supportive of economic development.

In the field of monetary and credit policy, the keynote should also be prudence, coupled with creativeness to the end that the financial institutions and facilities within the control of the government may be imaginatively utilized as instruments for influencing the rate and direction of economic growth.

In view of the urgent need for capital formation, monetary authorities should intensify the mobilization of all forms of savings through the organization of more rural banks and branches of existing commercial banks to reach rural and urbanizing areas. Likewise, efforts should be exerted to persuade smaller commercial banks to merge and consolidate their operations.

The long-term loan policies of public financial institutions should be redesigned in order that the larger portion of their financial resources are devoted to productive projects with only the barest minimum given to less productive activities. Properly used, this can effectively channel private investible funds to high-priority endeavours.

Selective credit can also be used effectively as a regulatory device to redirect the flow of investments. Specifically, for example, it can be used to discourage the establishment or expansion of industrial firms manufacturing luxury or non-essential items so that scarce funds can be concentrated on highly essential undertakings.

Reasonable restraints will have to be imposed on residential housing or consumption loans at least for the duration of the program period. These restraints shall be in the form of relatively low loan ceilings and the prohibition of repeated loan facilities to the same individuals. On the other hand, liberal credit facilities should be made available to those who desire to invest in new productive ventures.

In addition, the loaning facilities of public financial institutions for the debt-financing of development projects as well as for long-term credit should be limited exclusively to corporations and enterprises to ownership or equity of which is at least 60 percent Filipino.

Human Resources Development

The development of human resources is not only a pre-requisite for economic development but a decisive factor in increasing and accelerating the pace of economic productivity. The availability, therefore, of skilled and healthy manpower in sufficient numbers to meet the country's production needs is of vital importance to the successful implementation of the Program. Further, it is recognized that people are themselves the best agents of change and can fulfill this responsibility only to the extent that their physical, mental and social capacities have been developed. The development of human resources therefore shall start with children and youth as the agents of social growth and economic progress.

In the sectoral program are included the social facilities to be established during the next four years, for the attainment of the traditional goals of higher literacy, improved health, skilled manpower adequate employment opportunities, and, in general, increased and improved social services.

The Program aims not only to expand the base of education but also to broaden it at the middle level, which is dangerously thin, so as to provide a source of trainable manpower, specially middle-level manpower, of which there is a great lack. Curricula in the vocational and technical schools will be improved and better teaching facilities and equipment, tools and devices will be provided. In the field of higher education, assistance will be extended the private universities so as to attract more students to the technological and scientific courses. But most important would be a program of social education to develop a public opinion and a civic conscience against anything that is prejudicial to social interest and operates unduly against the national economy and its future, utilizing for this purpose all media of mass communications.

For the promotion of health, the emphasis will be on the reinforcement of the basic health services under existing public health laws. Provision will be made for more efficient basic public health and medical care services through the rural health clinics and hospitals, an effective disease intelligence network, improved diagnostic laboratory facilities including the production of biologics and sera, a widespread health education program, and dental care service.

In social welfare, government will continue its efforts to keep the families together in times of economic crisis or social distress. Financial or material aid will be extended to needy persons and families while every effort will be made to keep the children within a family setting or home atmosphere. People, whether alone or in groups or in communities, will be helped through welfare services to attain social and personal satisfaction and independence so that they can maximize their contribution to national development.

The government will continue to protect the rights of the working man and simulatneously, it will devote greater efforts to awakening in the worker a willingness and enthusiasm for work by providing conditions conducive to the development of the individual and his dedication to the economic progress and building of the community.

Greater emphasis will also be laid on the proper programming of manpower so that the needs of development projects can be sufficiently met. At present, manpwer functions are widely distributed and shared by almost every arm of the government. An adequate administrative machinery under the direction of a Manpower Development Council on the cabinet level will be established to undertake coordinated programming of the development and utilization of manpower resources in the country.

Government subsidy will be used to provide low-cost houses for the low-income groups while the slum clearance and resettlement program will be revitalized with the aid of international voluntary organizations through the establishment of new towns within which to resettle urban squatters and slum dwellers in such a manner as to generate economic and social growth.

To generate the necessary momentum for an accelerated development in the rural areas, the government through the community development program will endeavor within the next four years to promote self-government at the barrio level to the end that a system of communities or bodies politic is established, capable of solving an increasing number of their own programs through the initiative of the communities and the active participation of the people themselves. Community development shall be integrated with the over-all program and allocated objective goals in respect of the economic outcome of self-help activities.

Scientific and Technological Development There is no gainsaying the value of science and technology as a tool for the attainment of a higher standard of living for the people, for the improvement of productivity in every aspect of human endeavor and in assuring man's maximum protection from poverty, ignorance, and disease.

Accordingly, this Program provides for the promotion and development of science and technology along the following lines:

1. The quality of research will be considerably improved by furnishing adequate training and attention to incentives for research personnel. This should include a general upgrading of salary rates, liberal bonuses, and awards to scientists who successfully undertake research investigations with socio-economic impact;
2. Reparations equipment shall be made available to scientific and technological institutions, whose needs shall be given high priority in the granting of allocations;
3. A Philippine Science Community which will eventually develop into a scientific research establishment with proper facilities and an appropriate climate for scholarship and research shall be established. This will be adequately provided with funds for the construction therein of laboratories and supporting structures;
4. A serious search will be undertaken for additional sources of funds to be used exclusively for scientific research development. In this regard, contributions from the

private sector will be solicited;

5. Research activities in agriculture being performed by agencies of executive departments will be concentrated under a Research Administration in the Department of Agriculture and Natural Resources to effect integration and coordination as well as to prevent unnecessary duplication and waste of resources;
6. Research projects in agriculture and industry will be developed and assigned for implementation to capable research agencies, both public and private. For this purpose, the National Science Development Board grants-in-aid program shall be utilized to support important applied research;
7. Coordination of research undertaken by all government agencies, including state colleges and universities, will be achieved through a system of technical reporting to an evaluation unit in the National Science Development Board designed to maximize the benefits that should accrue from judicious use of limited government resources for research; and ..
8. A nation-wide dissemination program on the results of the researches of scientists shall be conducted through an intensive science information service, science publications, exhibits, seminars, symposia and an enlarged scientific documentation and technical library service.

Physical Planning and Regional Development To implement certain desirable social and economic objectives of the Program, it is an important part of the strategy to effect physical planning collaterally with socio-economic planning. So far, physical planning has been neglected and, as a result, the geographical distribution of economic activities proceeded in a laissez-faire fashion. Manila and environs now reveal a hodge-podge pattern with industrial plants and modern housing areas located side by side with slums and squatter shanties. Moreover, there is a marked concentration of industrial plants in Manila and suburbs. This leads, consequently, to unbalanced development which makes the progressive areas more progressive, while the others remain underdeveloped. Neither has there been any synchronization of development with the required infrastructural facilities and the availability of raw materials and other natural advantages of location.

It is also noted that even with the passage of urban zonification laws, poor implementation resulted because of lack of interest and a sense of civic responsibility on the part of the parties concerned.

The physical planning envisioned in this Program will include the inventory of the resources, manpower, and natural advantages of the different regions and provinces of the country and the specific economic enterprises that are suitable for establishment therein, as well as the additional infrastructural requirements. Then the enterprises proposed in this Program will be allocated to the different geographical areas as may be found advantageous in the physical plan.

In addition, zonification plans should be developed for cities, provincial capitals and municipalities, starting with those showing potentials of immediate urbanization and development as shown by the physical plan. Each unit should be zoned initially and parcelled into an industrial area, a commercial and trading area, services area, educational area, recreational area, etc. The physical facilities needed such as water supply, power, sewerage and drainage and other vital infrastructural facilities such as good roads, power lines, transport, etc., shall then be provided. The development of industrial estates by the private sector will be encouraged and assisted.

The urban zonification and development plans shall take into consideration the resources common to regions to initiate the beginnings of regional development. The various regional development authorities can play a vital role in this effort at geographical distribution of economic enterprises. It is noted, however, that the development authorities created by Congress have just been organized or are still in process of organization, so that, except for the Mindanao Development Authority (MDA) which has already prepared a five-year program, they have not done much as yet in the way of drawing up specific programs of action. Moreover, they all appear to suffer from lack or shortage of funds.

The strategy of this Program with respect to these authorities includes the review of the structure of each of them, and to prescribe a uniform standard organizational scheme and terms of reference and functions designed to enable them to play their roles more efficiently and effectively. In view of the shortage of trained manpower in the country, and to avoid the fragmentation of the available skills, it is proposed that the development authorities should only perform policy, planning, promotional, financing and supervisory functions, and that they leave the implementation of projects and programs to the line agencies of the government, or in certain cases, to private enterprises.

For optimum coordination and integration it is proposed that these authorities be placed under the administrative supervision of the Department of Economic Affairs discussed elsewhere in this program, where a suitable unit should be established for the purpose.

Role of Provincial and Municipal Governments The implementation of this Program requires not only an integrated approach to the complex body of economic problems but more so, a total national effort, involving all sectors at all levels. To be sure, in this enterprise, the national government must lead, and if it is to be truly complete, the smallest political subdivision must actively contribute its share.

It is essential, therefore, that the leadership of provincial and municipal governments be enlisted in this concerted endeavor to the end that they will give to the Program not only their enthusiastic moral support but also their active participation in the pursuit of its avowed goals.

For this purpose, a delicate balance must be effected between decentralization and a concomitant grant of some degree of local autonomy, on one hand, and maximum coordination of activities on a nationwide scale, on the other.

The local communities, led by their duly-elected officials, must be induced to develop initiative and encouraged to plan and undertake economic activities on a self-help basis, following the broad outlines set forth in this overall Program. Thus, the developmental base will be broadened and the direct involvement of the great mass of citizens in this gigantic task will be maximized.

Statistical Development The availability of up-to-date, integrated, and reliable statistical data is a prime requisite to the formulation and implementation of a sound and viable socio-economic program.

The plan strategy, therefore, includes the streamlining of the statistical compilation, analysis and interpretation which result in a more effective and modernized planning, streamlined budgeting and programming, and better-coordinated implementation of statistical activities, with a view to building up a more detailed and refined body of statistics needed in new techniques of economic analysis and planning.

Some 45 statistical projects have been programmed over the four-year period covered by the Plan falling under four main categories, namely:

1. Improvement of existing statistics;
2. Initiation of new statistical series;
3. Training and career development of personnel; and
4. Effective coordination.

Coordination needs the cooperation of participating and implementing agencies, and a proper discipline among them. If there is a defect in the system, it should be readily corrected, instead of increasing the number of coordinating agencies.

Foreign Aid Program The strategy in connection with foreign assistance is the maximization of the resources available from this source and their effective use to supplement local facilities to carry out specific plans and projects. The assistance received is principally in the form of technical assistance, commodities and loans extended to the Philippines by the United States through its Agency for International Development, the United Nations Agencies, the Colombo Plan and bilateral arrangements with other countries. It is proposed to reexamine the U.S. Aid Program with a view to making it more effective and less top heavy. It is also proposed to tap more and more the United Nations Program and the Colombo Plan.

While the scheme covers a wide area - agriculture, industry and mining, public works and transportation, health, education, labor, public administration, community development and atomic energy - it merely supplements the staffs and facilities of some government projects, the targets of which are indicated in the different sectoral programs.

The Foreign Aid Program, is thus considered one of the channels through which foreign resources essential for development flow in.

Reparations The strategy in connection with reparations consists in the judicious selection of the projects and the needed equipment and materials requiring reparations and which will result in the best utilization of this particular resource.

The reparations program, which is one of the extra-ordinary sources of investment funds, will closely support the Infrastructure and Public Utilities, Agriculture, Mining and Industry, Trade and the Services Sectors of the economy. Reparations annual schedules are planned at $45 million a year during the next four years but efforts will be exerted to increase the annual availabilities by shortening the period of reparations payments. The larger share will be channeled to the public sector. As regards the portion which will go to the private sector, priority shall be given to those whose equipment needs have already been partially met but the completion of which will require further allocations.

With reference to the proceeds from reparations payments, it is proposed that the apportionment of the Special Trust Fund, in accordance with the provisions of Section 3 of the Reparations Law as amended, be revised through legislation to increase the loan component for agricultural projects and to raise to 50 percent the share for the construction, reconstruction, repair and/or improvement of public school buildings and to finance essential projects in the list of priorities under Section 2(e) of the law.

It is also essential that in the choice of projects to be financed by Reparations, special care is taken that, as much as possible, the goods coming thereby into the country will not compete with products manufactured by local industries.

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The general strategy of development outlined in this Chapter sets forth the steps that are proposed or have to be taken in particular instances, situations, sectors or circumstances as indicated, to achieve the specific objectives desired in each of these cases, the totality and the cumulative result of which is expected to bring about the realization of the overall targets of the Program. It must be emphasized that the problems which the Program hopes to solve are interlinked, and piecemeal employment of the strategy cannot lead to effective and substantial accomplishment.

This development strategy was conceived in recognition of the incontrovertible circumstance that the Philippines is now engaged in an unremitting struggle against the combined forces of poverty, ignorance, sloth, moral decline, and economic decadence. This battle must be waged within the context of our democratic system, but we must also be prepared to impose upon ourselves and our society certain restraints which are absolutely necessary if we are to succeed in overcoming our multifarious economic ills. Indeed, it is an endeavor which demands a heroic measure of self-discipline on the part of our people and a lofty degree of zealous and dedicated statesmanship among our leaders.

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SOCIO-ECONOMIC DEVELOPMENT PROGRAM

FOR

FY 1966-67 TO FY 1969-70

PART II

PREPARED BY THE STAFF
OF THE
NATIONAL ECONOMIC COUNCIL

MAY, 1966

MANILA, PHILIPPINES

Republic of the Philippines
NATIONAL ECONOMIC COUNCIL
Manila

May 26, 1966

His Excellency
President Ferdinand E. Marcos
Malacañang, Manila

Mr. President:

I have the honor to submit for your consideration the attached draft of Part II of the "Socio-Economic Development Program for Fiscal Year 1966-67 to Fiscal Year 1969-70". The draft of Part I (Chapters I to VI) of this Program was submitted to Your Excellency on May 10, 1966.

This Part II contains the sectoral programs in nine (9) chapters as follows:

Chapter VII - Agricultural Development Program
Chapter VIII - Industrial and Mining Development Program
Chapter IX - Infrastructure and Public Utilities Program
Chapter X - Trade and Commerce Development Program
Chapter XI - Human Resources and Social Development Program
Chapter XII - Statistical and Science and Technology Development Program
Chapter XIII - Monetary and Fiscal Program
Chapter XIV - Foreign Aid and Reparations Program
Chapter XV - The National Economic Council and the Staff

These sectoral chapters give the updated and revised programs of the principal sectors of the economy as collated by the staff of the Council from all available sources in the government and in the private sector. As we previously informed Your Excellency, the different government and private entities were requested to advise the National Economic Council staff of their development programs and projects which are to be undertaken during the program period. About 57 percent of the 146 entities so requested submitted their replies, which were duly considered and incorporated, where feasible, in these sectoral programs. It is unfortunate, of course, that in the case of those who have not replied, whatever ideas they might have could not be taken into account.

In order to assure that these sectoral programs approximate as closely as possible the reasonable working targets and plans of the different entities and groups that will implement them, it is our intention to discuss these sectoral programs with the said groups and entities to be certain that the objectives and goals of the program are fully understood and the implementation will not be hindered or delayed.

We trust that these sectoral programs together with Part I, will meet with Your Excellency's approval.

Very respectfully yours,

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Chairman

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NATIONAL ECONOMIC COUNCIL

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Chapter VII

AGRICULTURAL DEVELOPMENT PROGRAM

This agricultural development program is both a private and public investment scheme with the former called upon to undertake the greater share of the production efforts and the latter providing the necessary incentives and motivation. It is so designed that the procedure could improve, intensify, and expand productive undertakings for increasing output to accelerate national agricultural production needed to meet the requirements for food of the fast-growing population, for raw materials of the manufacturing and processing industries, and for surplus export.

The program takes into consideration the existing imperfections in agricultural financing and marketing, the use of uneconomic-size farms, insecurity of tenure among the majority of farmers, the low level of education among the mass of farm operators, the slow application of research findings in the field, inadequacy of trained and skilled agricultural manpower, and the paucity of infrastructure facilities that stand in the way of efficient and economical production and the fast growth of the agricultural sector. The analyses of the situation and problems as well as the prospects for increasing agricultural output were made the basis for laying down the objectives, policies, and implementing measures for this agricultural development program.

The goals are to raise the production of food crops from a sufficiency ratio of 87.8 percent in 1964 to 95.6 percent by 1970, but in the case of rice and corn to full sufficiency; to increase the annual exportable surplus for crops from 2,248 thousand metric tons in 1964 to 2,809 thousand metric tons by 1970; to attain a 6.5 percent annual growth in the principal food-producing animals that would allow the annual production of meat to rise from 286.3 thousand metric tons in 1965 to 386.7 thousand metric tons in 1970, and of eggs and milk from 77.4 thousand metric tons and 28.4 thousand metric tons to 105.7 thousand metric tons and 38.9 thousand metric tons, respectively, also from 1965 to 1970; to raise the sufficiency level of fish from 67.3 percent in 1965 to 85.1 percent by 1970; and, in forestry, the plan is to limit the timber cut to 2.6 billion board feet a year, to restore about 116,000 hectares of denuded watershed areas, and to hasten public domain classification.

The goals in crop production are to be attained by developing new land areas not otherwise cultivated and by improving productivity through irrigation, extensive use of fertilizers and high yielding seeds, and control of pests and diseases. In animal production the goals are to be realized through expansion of ranches and livestock and poultry farms and the development of the dairy industry. In fish production, the deep-sea fisheries will be developed, the catch of commercial fishing vessels presently operating as well as of the municipal fisheries and sustenance fishing will be improved, and the extensive and intensive cultivation of fish in fishponds will be pursued. In forestry, emphasis will be placed on the protection of forests from unwarranted exploitation, conservation of existing forests through proper management, reforestation of denuded areas, and speedy classification of the public domain.

The private sector will be encouraged to undertake these developmental activities through appropriate incentive measures including improvement of institutional factors such as land tenure, credit and marketing, research, training of manpower, extension service, and the provision of needed infrastructure facilities.

The program calls for a total financial public outlay of ₱733.66 million and a total investment of ₱2,176 million by the private sector during the program period. (Tables VII.1 and VII.2)

The Current Situation The agricultural sector occupies a significant place in the overall national economy. In 1964, it employed 62 percent of the total labor force, accounted for approximately 33 percent of the national income, shared 62 percent of the total export earnings, and supplied 76 percent of the food consumed and of the raw materials for the manufacturing and processing industries. There remains, however, a lot more

Table VII.1 - FINANCIAL REQUIREMENTS FOR THE PUBLIC SECTOR IN THE DEVELOPMENT AND IMPROVEMENT OF AGRICULTURE FY 1967 TO FY 1970[a]

(In thousand pesos)

Bureaus and/or offices	1967			1968			1969		
	Current operating expend-iture	Capital outlay	Total	Current operating expend-iture	Capital outlay	Total	Current operating expend-iture	Capital outlay	Total
Office of the Sec., DANR	7,718.8	4,798.3	12,517.1	8,014.7	5,038.2	13,052.9	8,374.9	5,278.1	13,653.0
Bureau of Plant Industry	13,489.3	286.6	13,775.9	14,011.9	300.0	14,311.9	14,624.1	250.0	14,874.1
Bureau of Animal Industry	9,902.4	5,082.4	14,984.8	11,516.8	5,900.0	17,416.8	12,881.3	4,200.0	17,081.3
Bu. of Agricultural Economics	935.0	—	935.0	983.0	-	983.0	1,029.6	—	1,029.6
Phil. Fisheries Commission	5,993.4	200.0	6,193.4	6,714.7	940.0	7,654.7	7,235.9	880.0	8,115.9
Bureau of Soils	2,510.9	20.0	2,530.9	2,637.0	50.0	2,687.0	2,762.9	20.0	2,782.9
Bureau of Lands	18,916.8	—	18,916.8	19,731.3	-	19,731.3	20,639.6	—	20,639.6
Bureau of Forestry	11,096.2	150.0	11,246.2	11,643.5	150.0	11,793.5	12,190.8	150.0	12,340.8
Parks and Wildlife Office	1,000.4	—	1,000.4	1,045.7	—	1,045.7	1,091.0	—	1,091.0
Reforestation Administration	8,455.7	120.0	8,575.7	8,858.8	150.0	9,008.8	9,262.2	150.0	9,412.2
Commission on Agricultural Productivity (CAP)	18,084.2	—	18,084.2	18,963.1	—	18,963.1	19,842.1	—	19,842.1
Agricultural Tenancy Commission	458.4	—	458.4	481.3	—	481.3	504.3	—	504.3
Rice and Corn Board (RICOB)	584.6	—	584.6	613.8	—	613.8	643.0	—	643.0
Rice and Corn Administration	19,000.0	—	19,000.0	25,000.0	—	25,000.0	25,000.0	—	25,000.0
Land Authority	10,279.8	22,963.2	33,243.0	10,756.1	25,361.4	36,117.5	11,228.1	28,759.5	39,987.6
Bu. of Fiber Inspection Service	1,355.7	—	1,355.7	1,423.6	—	1,423.6	1,491.2	—	1,492.2
GRAND TOTAL	129,781.6	33,620.5	163,402.1	142,395.3	37,889.6	180,284.9	148,801.0	39,687.6	188,488.6

a/ Philcoa, PVTA, PTA, Philsugin, Abacorp, are not included.

Source of basic data: The President's Budget, 1966-1967.

Table VII.1 - Financial Requirements for the Public Sector (cont'd.)

Bureaus and/or offices	1970			Four Years		
	Current operating expenditure	Capital outlay	Total	Current operating expenditure	Capital outlay	Total
Office of the Secretary, DANR	8,735.1	5,518.0	14,253.1	32,843.5	20,632.6	53,476.1
Bureau of Plant Industry	15,236.5	200.0	15,436.5	57,361.8	1,036.6	58,398.4
Bureau of Animal Industry	14,445.7	4,900.0	19,345.7	48,746.2	20,082.4	68,828.6
Bureau of Agricultural Economics	1,076.4	—	1,076.4	4,024.0	—	4,024.0
Philippine Fisheries Commission	7,807.3	920.0	8,737.3	27,751.3	2,940.0	30,691.3
Bureau of Soils	2,927.9	30.0	2,957.9	10,838.7	120.0	10,958.7
Bureau of Lands	21,477.6	—	21,477.6	80,765.3	—	80,765.3
Bureau of Forestry	12,789.1	120.0	12,909.1	47,719.6	570.0	48,289.6
Parks and Wildlife Office	1,136.3	—	1,136.3	4,273.4	—	4,273.4
Reforestation Administration	9,665.1	130.0	9,795.1	36,241.8	550.0	36,791.8
Commission on Agricultural Productivity (CAP)	20,721.1	—	20,721.1	77,010.5	—	77,010.5
Agricultural Tenancy Commission	527.1	—	527.1	1,971.1	—	1,971.1
Rice and Corn Board (RICOB)	701.5	—	701.5	2,542.9	—	2,542.9
Rice and Corn Administration	25,000.0	—	25,000.0	94,000.0	—	94,000.0
Land Authority	11,703.4	34,157.7	45,861.1	43,967.4	111,241.8	155,209.2
Bu. of Fiber Inspection Service	1,559.2	—	1,559.2	5,829.7	—	5,829.7
GRAND TOTAL	155,509.3	45,975.7	201,485.0	576,487.2	157,173.4	733,660.6

Table VII.2 - INVESTMENT REQUIREMENTS FROM THE PRIVATE SECTOR IN THE DEVELOPMENT AND IMPROVEMENT OF AGRICULTURE
FY 1967 TO FY 1970

(In thousands)

Items	1967 Pesos	1967 Dollars	1967 Total (pesos)	1968 Pesos	1968 Dollars	1968 Total (pesos)	1969 Pesos	1969 Dollars	1969 Total (pesos)
Crop production	244,856.3	10,798.0	287,948.3	323,072.3	14,257.3	380,101.5	419,740.8	18,518.0	493,812.8
Livestock production	32,909.7	975.0	36,809.7	35,116.5	1,665.0	41,776.5	37,505.2	3,660.0	52,145.2
Fish production	13,470.0	4,437.5	31,220.0	20,350.0	4,437.5	38,100.0	27,270.0	4,437.5	45,020.0
Forestry	2,000.0	5.5	2,022.0	2,000.0	5.5	2,022.0	2,000.0	5.5	2,022.0
TOTAL	293,036.0	16,216.0	358,000.0	380,538.8	20,365.3	462,000.0	486,516.0	26,621.0	593,000.0

Items	1970 Pesos	1970 Dollars	1970 Total (pesos)	Four Years Pesos	Four Years Dollars	Four Years Totals (pesos)
Crop production	550,296.2	24,278.0	647,408.8	1,537,866.2	67,851.3	1,809,271.4
Livestock production	40,029.2	5,400.0	61,629.2	145,560.6	11,700.0	192,360.6
Fish production	34,190.0	4,437.5	51,940.0	95,280.0	17,750.0	166,280.0
Forestry	2,000.0	5.5	2,022.0	8,000.0	22.0	8,088.0
TOTAL	626,516.0	34,121.0	763,000.0	1,786,706.8	97,323.3	2,176,000.0

NOTE: Exchange rate at P4.00 = $1.00

to do to enable agriculture to grow and meet the needs for agricultural products.

The growth of agriculture has been quite slow and has not kept pace with the growth of the population. During the last ten years (1955-1964), although the index of physical volume of overall agricultural production increased at an average annual rate of 4.0 percent, valuewise (at constant prices) the increase was only 1.3 percent. (Table VII.3) In foods, the volume index rose to 117 in 1965 (1960 = 100) at an average rate of change of 3.67 percent. (Table VII.4)

In the case of agricultural exports, the value in U.S. dollars rose from 391.7 million in 1961 to 596.7 million in 1964 or an average annual increment of 15.7 percent. (Table VII.5)

The prices of these products, however, have been fluctuating with a rising tendency. (Table VII.6) These increasing prices, together with preferential treatment that the Philippine exports receive in the U.S. market, were responsible for the accelerated increase in the value of exports. However, because of this privileged position, the country has failed to develop other markets for its exports which would result in a dilemma come 1974 when the special preference shall have terminated. New markets have to be found for these traditional exports and their production costs have to be reduced to make them competitive in the open market.

Table VII.3 - YEARLY CHANGES IN PHYSICAL VOLUME OF PRODUCTION AND NET VALUE ADDED IN AGRICULTURE FY 1955 - 1964

(Value in million pesos)

Year	Physical volume of production[a/]		Net value added[b/]	
	Index (1960=100)	Percent rate of change	Value (1960 prices)	Percent increase (decrease)
1955	82.8	-	3,531	-
1956	87.8	6.1	3,617	2.4
1957	91.2	3.9	3,633	0.4
1958	91.8	0.6	3,487	(4.0)
1959	97.3	5.9	3,515	0.8
1960	100.0	2.8	3,605	2.6
1961	99.8	(0.2)	3,618	0.4
1962	107.5	7.6	3,770	4.2
1963	111.6	3.8	3,920	4.0
1964	117.6	5.4	3,967	1.2
Average		4.0		1.3

[a/] Source of basic data: Central Bank of the Philippines.

[b/] Source of basic data: Office of Statistical Coordination and Standards, National Economic Council.

Table VII.4 - YEARLY CHANGE IN BALANCE OF FOOD PRODUCTION
1955 - 1965

Year	Total food output#	Volume Index (1960 = 100)	Rate of change increase (decrease)
1955	7,162,098	82.4	-
1956	7,620,504	87.7	6.4
1957	7,756,738	89.3	1.8
1958	7,746,073	89.2	(0.2)
1959	8,381,908	96.5	8.2
1960	8,686,140	100.0	3.6
1961	8,727,296	100.4	0.5
1962	9,328,912	107.4	6.9
1963	9,520,772	109.6	2.0
1964	9,977,101	114.8	4.8
1965	10,244,450	117.9	2.7
Average			3.6

Adjusted to include non-farm and under-reported crops which, according to the Statistical Reporter, Vol. IX, No.1 (January-March, 1965), constitute 21.62% of BAE report for fruits, 65.12% for vegetables, and 0.12% for root crops and tubers.

Source: Bureau of Agricultural Economics, DANR.

Table VII.5 - EXPORTS OF AGRICULTURAL PRODUCTION 1961 - 1964

(F.O.B. value in million U.S. dollars)

Product	1961	1962	1963	1964	Average
Copra	88.2	112.6	168.2	156.0	131.2
Abaca	28.8	24.7	31.6	30.3	28.9
Desiccated coconut	14.5	15.0	18.4	19.5	16.9
Coconut oil	15.9	31.5	46.7	59.9	33.5
Sugar, centrifugal	135.1	121.9	146.5	148.2	137.9
Tobacco	8.9	12.1	12.5	16.9	12.6
Logs and lumber	92.4	112.7	152.8	143.1	125.3
Plywood	7.9	11.1	15.9	22.8	14.4
TOTAL	391.7	441.6	592.7	596.7	505.7
Percent increase		12.8	34.2	0.7	15.7

Source of basic data: Central Bank of the Philippines.

Table VII.6 - PRICE INDEX OF AGRICULTURAL EXPORT PRODUCTION
(1960 = 100)

Year	Sugar	Copra	Leaf tobacco	Abaca	Logs	Lumber
1956	66.3	65.1	86.9	60.4	92.4	92.2
1957	70.2	71.2	95.0	75.0	87.8	89.6
1958	72.7	94.4	97.1	65.5	84.4	80.6
1959	70.8	116.9	98.3	96.9	89.6	83.9
1960	100.0	100.0	100.0	100.0	100.0	100.0
1961	100.0	95.1	110.5	98.8	102.5	101.5
1962	127.3	118.5	119.7	98.1	117.2	99.9
1963	170.3	135.4	120.9	98.8	131.3	109.7
1964	136.1	140.3	127.3	107.6	141.5	120.2
1965	126.2	174.5	128.6	101.9	141.9	122.2

Source of basic data: Central Bank of the Philippines.

The volume index of total crop output moved to 119.1 (1960 = 100) in 1964 and its rate of change averaged 3.6 percent annually as shown in Table VII.7.

The rate of growth of food crops was quite slow, which averaged only 3.4 percent during the last ten years. (Table VII.8) The production in 1964 of 8,298,271 metric tons met only 87.8 percent of the estimated requirement. The rice output of 3,843 thousand metric tons in 1964 reached only 90.1 percent of the requirement for this cereal estimated at 4,265 thousand metric tons. In the case of commercial crops, production increased very fast during the last five years: 3.0 million metric tons in 1961; 3.5 million metric tons in 1962; 3.8 million metric tons in 1963; and 3.9 million metric tons in 1964; the average increase over the last ten years was 3.8 percent. This rapid increase was brought about by the removal of foreign exchange control and the high prices.

A characteristic of Philippine agriculture is the single crop system which does not lend support to accelerated production. For example, in Central Luzon, the area devoted to rice is about 83 percent of the total cultivated area where, except for a few scattered hectares, only one harvest is made a year. In Negros Occidental, 43.4 percent of the total crop area is planted to sugar cane although crop diversification could be done to increase production.

Table VII.7 - VOLUME OF OVERALL CROP PRODUCTION 1955 - 1964

(In metric tons)

Year	Production	Increase over previous year		Index (1960 = 100)
		Amount	Percent	
1955	8,885,196	190,801	2.2	85.3
1956	9,108,605	223,409	2.5	89.5
1957	9,380,998	272,393	3.0	90.1
1958	9,506,200	125,202	1.3	91.3
1959	10,112,451	606,251	6.4	97.1
1960	10,411,297	298,846	3.0	100.0
1961	10,425,930	14,633	0.1	100.1
1962	11,350,252	924,322	8.9	109.0
1963	11,769,347	419,095	3.7	113.0
1964	12,406,000	636,700	5.4	119.1
Average increase			3.6	

Sources of basic data: The Raw Material Resources Survey Bulletin, Series 1, NEC, 1959.

Bureau of Agricultural Economics, DANR.

Table VII.8 - VOLUME OF CROP PRODUCTION 1955 - 1964

(In metric tons)

Year	Commercial crops			Food crops		
	Production	Percent increase	Index (1960 = 100)	Production	Percent increase	Index (1960=100
1955	2,830,985	4.3	91.4	6,054,211	1.3	82.8
1956	2,760,487	(2.5)	89.1	6,348,119	4.9	86.8
1957	2,910,799	5.4	94.0	6,470,199	1.9	88.5
1958	3,128,581	7.5	101.0	6,377,619	(1.4)	87.2
1959	3,104,185	(0.8)	100.2	7,008,267	9.9	95.8
1960	3,096,279	(0.3)	100.0	7,315,017	4.4	100.0
1961	3,024,652	(2.3)	97.6	7,401,277	1.2	101.2
1962	3,519,938	16.4	113.6	7,830,315	5.8	107.0
1963	3,795,402	7.8	122.6	7,973,945	1.8	109.0
1964	3,896,775	2.7	125.8	8,298,271	4.1	113.5
Average increase		3.8			3.4	

Source of basic data: ibid.

The status of land cover and use is as follows:

	Hectares	Percent
Total	29,741,290	100.00
Cultivated and other lands	11,210,050	37.70
Commercial forest	8,257,556	27.76
Non-commercial forest	4,102,021	13.80
Cogon or open land including brushland	5,509,216	18.51
Swamps	662,447	2.23

Of the total area of about 30 million hectares, about 37.7 percent are cultivated, 41.5 percent are forest, 18.5 percent are cogonal or open land, and 2.2 percent are swamps. Of the cultivated land area, a total of 5.9 million hectares are planted with food crops and 2.1 million hectares are planted to commercial crops.

In 1964 agricultural land utilization was distributed in thousand hectares as follows:

Food crops:	5,856.8	Commercial crops:	2,087.0
Rice	3,087.5	Coconut	1,482.0
Corn	1,897.6	Sugarcane	269.9
Fruits and nuts	393.0	Abaca	210.5
Root crops	290.5	Tobacco:	
Beans and vegetables	111.8	Native	61.0
Coffee	42.0	Virginia	34.5
Cacao	9.2	Ramie	3.2
Peanuts	25.2	Rubber	19.8
		All others	5.2

In animal production, the output of animal products (meat, eggs, and milk) has been sadly lagging behind the requirements for these and the gap between production and demand is fast widening. (Table VII.9) Importation of these products has to be resorted to, to meet the deficiencies. (Table VII.9a) Although swine and poultry have been developed to a satisfactory degree, more remains to be done in the way of improving their quality and productivity. Carabaos which are raised for work, meat and dairy purposes have been increasing in number the last few years. Cattle have likewise increased considerably, but the number is still considered small if the overall meat requirement of the populace is taken into consideration. The development of the animal industry in the country as a whole is greatly handicapped by insufficiency of feed stuffs and their accompanying high prices.

The production of fish during the last ten years may be considered rapid with the output in 1965 moving up to almost one and one-half times that of 1955. (Table VII.10) Despite this, the fish requirement of the people has not been met. In 1964, for instance, the total fish produced amounting to 603,000 metric tons was only 63.2 percent of the people's nutritional needs estimated at 956,800 metric tons. (Table VII.11) The deficiency was partially filled by importing 49,000 metric tons of fish and fish preparations valued at 56.2 million pesos.

Table VII.9 - SUFFICIENCY OF PRODUCTION OF MEAT, MILK AND EGGS 1960 - 1964

(In thousand metric tons)

Year	Meat			Milk			Eggs		
	Production[a]	Allowance	Sufficiency (%)	Production	Allowance	Sufficiency (%)	Production	Allowance	Sufficiency (%)
1960	242.1	647.2	37.40	9.7[b]	1,624.6	0.60	110.3[b]	161.2	68.42
1961	223.0	668.2	33.36	8.8[b]	1,678.1	0.52	131.0[b]	167.0	78.44
1962	229.3	690.8	33.19	8.6[c]	1,734.1	0.50	90.5[c]	172.2	52.56
1963	235.2	714.0	32.94	8.6[c]	1,792.4	0.49	89.3[c]	178.4	50.06
1964	226.3	738.3	30.68	8.1[d]	1,853.4	0.43	91.4[d]	184.5	49.56

Allowances: Meat, 23.61 kg.; milk, 59.27 kg.; eggs, 5.90 kg. per person per year, respectively. (See Philippine Economy Bulletin, Vol. II, No.1 (1964).

Sources [a] From the Bureau of Agricultural Economics, DANR.

[b] Statistical Reporter, Vol. VII:4 (1963).

[c] Statistical Reporter, Vol. IX:1 (1965).

[d] Food Balance Sheet, OSCAS (Unpub.).

Table VII.9a - VALUE OF IMPORTED MEAT, MEAT PREPARATIONS, DAIRY PRODUCTS AND EGGS

(In pesos)

Items	1960	1961	1962	1963	1964
Meat & Meat Preparations	12.320.032	8.799.656	28.756.648.67	19.267.933	23.398.8
Fresh, chilled, frozen	1,189,810	1,665,569	2,401,295.93	4,205,702	5,662,70
Dried, smoked, cured	67,265	7,175	38,030.01	67,722	11,31
In airtight containers	11,062,957	7,126,912	26,317,322.73	14,994,509	17,654,77
Others, n.e.s.	-	-	-	-	-
Dairy Products	52.877.405	49.017.927	94.663.663.25	77.940.797	96.649.7
Milk	49,692,469	41,907,373	77,062,251.16	65,191,060	81,520,1
Butter	1,026,053	1,001,101	2,871,188.40	8,111,297	7,658,0
Cheese	751,877	961,813	4,265,026.18	2,259,772	3,756,02
Other dairy products	1,407,006	5,147,640	10,465,197.51	2,378,668	3,715,4
Eggs	79.470	1.201	9.169.91	20.516	2,65
Fresh in shell	1,691	769	95.50	83	-
Powdered	77,779	380	9,074.41	20,433	10
Egg yolk	-	-	-	-	2,5
Others, not in shell	-	52	-	-	3

Source of basic data: Bureau of the Census and Statistics
Foreign Trade Statistics

Table VII.10 - VOLUME OF FISH PRODUCTION ANNUAL RATE OF GROWTH AND INDEX 1955 - 1964

(In metric tons)

Year	Production	Increase over previous year		Index (1960 = 100)
		Amount	Percent	
1955	362,927	19,302	5.6	81.6
1956	393,648	30,721	8.5	88.5
1957	387,169	(6,478)	(1.6)	87.0
1958	426,666	39,496	10.2	95.9
1959	436,481	9,814	2.3	98.1
1960	444,622	8,140	1.9	100.0
1961	454,899	10,277	2.3	102.3
1962	483,947	29,048	6.4	108.8
1963	547,354	63,406	13.1	122.8
1964	603,506	56,151	10.3	138.0
Average increase			5.9	

Source of basic data: Fisheries Statistics of the Philippines. The Philippine Fisheries Commission.

Table VII.11 - SUFFICIENCY OF FISH PRODUCTION 1955 - 1964

(In metric tons)

Year	Production	Requirement[a/]	Percent sufficiency	Population in thousands
1955	362,927	72[illegible],180	36.45	23,568
1956	393,648	743,212	52.96	24,288
1957	387,169	765,918	50.54	25,030
1958	426,666	789,327	54.05	25,795
1959	436,481	813,470	53.65	26,584
1960	444,622	838,470	53.64	27,410
1961	454,899	866,377	52.50	28,313
1962	483,947	895,264	54.05	29,257
1963	547,354	925,374	59.14	30,241
1964	603,506	956,882	63.20	31,270

[a/] Based on 30.6 kg. per capita a year allowance recommended by PNRC in the Food Balance Sheet.

Source of basic data: Philippine Fisheries Commission.

The forestry situation of the country has badly deteriorated. Destructive forest utilization practices had been so flagrant that much of the remaining tracts can now be found only in the more rugged interior of Mindanao. Watersheds and even steep lands have been stripped of protective vegetation, causing destructive floods during the wet season and drought during the dry season. The denudation of the forest lands is aggravated by the unabated kaingin-making and the over-exploitation of concessions.

In 1957, it was estimated that there were 13,171,400 hectares of forests: 9,329,280 hectares were commercial and 3,139,000 hectares, non-commercial. These had dwindled to 12,359,500 hectares in 1962. In the five-year period, the forest area was thinned by 811,800 hectares or at the rate of 162,360 hectares a year. In Mindanao alone, it has been reported that some 20 million cubic meters of wood are cut annually, as against the 15 million cubic meters that the forest is capable of replacing.

The low production and productivity of agriculture have resulted in low incomes among agricultural producers causing a slow though steady movement of the rural population to urban communities where the higher levels of wages in the industrial services and commercial sectors of the economy serve as attration. Lately, however, wage and salary levels paid to agriculture workers had been increased in sympathy with the increasing level of prices of commodities.

Cognizant of the need for promoting and developing agriculture, the government spent and is still spending large sums of money for the improvement of land tenure, research, agricultural extension services, soil and cadastral surveys, domain classification, flood control, forest protection and conservation, and development of infrastructure facilities.

The provision of credit and improvement of marketing had also been the concern of government. In addition to the lending program of the Philippine National Bank and the Development Bank of the Philippines, those of the Rural Banks and the Agricultural Credit Administration (formerly ACCFA) had been added. During the last five years 2,362.5 million pesos has been loaned out by these financing institutions. (Table VII.12)

Subsidies have likewise been instituted. Among these are the tobacco and fertilizer subsidies and the support price for rice and corn.

For a time, ramie was the subject of a special export-import arrangement whereby local ramie fiber was allowed to be exported to Japan and brought in as finished product, free of tax. The imposition of high tariff duties, and in certain instances, complete banning of imports had been resorted to, to protect certain Philippine products such as eggs, cabbages, onions, garlic, coffee and rice and corn.

Table VII.12 - AGRICULTURAL LOANS GRANTED BY FIVE GOVERNMENT LENDING INSTITUTIONS
1961 - 1965

(In million pesos)

Bank or institution	1961	1962	1963	1964	1965	Total
Philippine National Bank	261.6	294.1	351.6	411.4	386.9	1,705.6
Development Bank of the Philippines	42.4	42.4	37.2	51.3	53.4	224.7
Rural Banks (CB)	74.0	101.4	143.0	201.3	215.5	735.2
Agricultural Credit Administration (ACA)	1.6	7.9	5.7	5.4	11.6	32.2
National Investment Development Corporation	-	-	-	-	164.8	164.8
TOTAL	379.6	443.8	537.5	669.4	832.2	2,862.5

Sources of basic data: PNB, DBP, CB, and NIDC.

Principal Problems of the Agricultural Sector Notwithstanding the substantial although somewhat slow progress which has been achieved, the situation in the agricultural sector is still very far from satisfactory. It is beset with innumerable problems, among which are: (a) fluctuating demands and unstable prices of primary exports; (b) inadequacy of supporting infrastructure facilities such as irrigation, feeder roads, bridges, ports and harbors; (c) institutional shortcomings; and (d) others which are economic in nature. Although measures are being taken to remedy these problems, the scarcity of resources with which to conduct investigations and the release of subsequent information to guide investors, can not be carried on satisfactorily.

While the development of agriculture depends to a considerable degree upon efficient marketing, the existing road system, transport and shipping facilities do not provide the desirable level of services to producers and middlemen handling agricultural products. In many rural areas, farm-to-market roads are absent or in a state of continuous disrepair making marketing cost excessive. Likewise, in places where surplus production has to be moved by shipping vessels to other islands, the freight charges are oftentimes prohibitive and the service, inefficient. Thus, it is not surprising to find typical agricultural areas with vast potentials for expanded production that are relegated to almost the subsistence type of farming simply because the markets are inaccessible to them.

Closely related with the problem of marketing are the imperfections in agricultural financing for production. Wanting credit to augment existing resources to be able to plant his crops and/or raise his livestock and to subsist before the crop has come, the farmer resorts to easily obtainable but usurious credit extended by money lenders. Not having any bargaining power at the time of harvest, the farmer again, if he had not previously sold his entire crop, becomes prey to middlemen, if not to the same money lenders who furnished his production needs.

The cultivation of uneconomic-sized landholdings and the high degree of absentee landlordism coupled with the poverty of tenants, have been one of the principal causes of the agricultural practices remaining at more or less primitive state. And because the farmer lacks capital, he is unable to use modern techniques of cultivation, improved seeds and fertilizers, and to mechanize his farm resulting in low productivity.

The use of mechanized equipment on farms is limited except in large plantations where the problem is usually one of management.

In a survey conducted by the Bureau of Agricultural Economics in 1962-1963, of the tractor situation in the Philippines, it was reported that there were but a total of 5,227 tractors used for agricultural production distributed as follows:

Ilocos Norte	62
Cagayan Valley	625
Central Luzon	1,444
Southern Tagalog	263
Bicol	159
Eastern Visayas	273
Western Visayas	1,641
North and Eastern Mindanao	201
South and Western Mindanao	559

The low productivity is aggravated by the fact that farmers generally have very little schooling, a condition that keeps them tenaciously tied up to superstituous beliefs and unproductive practices. This in turn negates and slows down the application of scientific findings of the research institutions to actual production notwithstanding the efforts of an agricultural extention service.

Another survey of the Department of Agriculture and Natural Resources in 1962 shows that of those farmers reported on, 8.25 percent of full owners holding 2.0 to 2.9 hectares did not have any schooling; 5.76 percent had high school education; and 10.13 percent were of college level or were college graduates. Of the tenants holding the same sizes of farms not one had college education; only 4.0 percent had attended high school; and 7.5 percent did not have any schooling at all; 7.2 percent had finished first grade; 6.4 percent, sixth grade; and 3.9 percent, seventh grade.

Irrigation facilities are sadly inadequate. Of the 7.9 million hectares of crop land under cultivation only about 788,000 hectares are served by the various irrigation systems during the rainy season and, during the dry season only from 20-30 percent of the above-mentioned area is irrigated.

Farmers have to contend with the climate. Large sections of the agricultural land are exposed to the prevalence of typhoons and floods and other areas are without rain six months of the year or longer. Soil erosion is aggravated by the denuding of forest areas and over-cultivation has also considerably reduced soil fertility in many places.

A shortage of high quality breeding stock, prevalence of pests and diseases, rustling and indiscriminate slaughter of stock have somewhat retarded the growth of the animal industry. Poor management and marketing practices, shortage of feeds and the poor distribution thereof plus inadequate research brought about by a lack of facilities and funds therefor, are contributory factors. The continuous large scale importation of meat and milk and the products and by-products thereof and beef-on-the-hoof while meritorious in some aspects also affect the rapid development and expansion of the livestock and dairy industries. Of a more serious implication in this respect is the tax-free importation of NAMARCO.

Fish production is low and this is mainly due to the continued use of antiquated methods of fishing, concentrated on the coastal and inland seas of the marine waters and the freshwater units such as lakes, rivers and marshes. The intensive fishing in these waters by a large number of small-scale fishing outfits using fine-meshed nets, explosives and fish poisons had so considerably reduced the productivity of these areas that most of them are now in the process of depletion, if not totally depleted. The depletion of these waters have been aggravated by water pollution resulting from the dumping of industrial wastes laden with substances harmful to aquatic life.

The development of the deep-sea and offshore areas toward the high seas is greatly handicapped by the lack of entrepreneurial skills and trained manpower in the use of modern and mechanized fishing methods. The lack of scientific knowledge on the distribution and availability of resources hinders the development of these resources.

The other factors that retard the development of the fishery industries are the timidity of capital, insufficiency of credit, poor marketing conditions, lack of researches and inadequate infrastructure facilities to service the fishery industries.

The slow pace of reforestation may be attributed chiefly to the limited funds and to the dissipation of these funds over so many projects scattered throughout the country. In the meantime, critical and major watershed areas where important hydroelectric and waterworks systems are being developed, notably those of Angat and Ambuklao, can not receive the full measure of attention.

Forestry agencies labor under resources far too inadequate to enable them to discharge their responsibilities effectively. The task of delimiting lands to be established as permanent forests has been proceeding very slowly. While 12.5 million hectares of the public domain are to be set aside as public forest, as of June 30, 1965, only 383,204 hectares have been proclaimed by the President as forest reserves.

There were in fiscal year 1956 only 756 forest guards who kept watch over the 12.9 million hectares of forest areas, for an average of one guard for every 17.2 thousand hectares. The present impotent forest protection system is further aggravated by coddling of forest law violators by politicians.

The deplorable state of our forests is compounded by the big dearth of trained forest technologists.

Prospects for Increased Agricultural Output Out of about 30 million hectares of our land area, 17.2 million hectares are potential agricultural lands. Since about 7.9 million hectares are presently under cultivation, there remains 9.3 million hectares that could be put under the plow.

The productivity of the present areas under tillage can still be increased under a well-managed system of intensive cultivation through the expansion of irrigation, extensive use of fertilizers and high-yielding seeds, and the control of pests and diseases.

Increased production of livestock is still possible in view of the large portion of grasslands still unutilized. Of about 5.0 million hectares of public grassland, only about 500,000 hectares are used for grazing. With improved management, the production of pigs and poultry can still be expanded. The possibilities of the development of the dairy industry has been shown by studies recently undertaken by the Dairy Training and Research Institute at the College of Agriculture, U.P.

The fishery resources of the deep-sea and offshore areas are still hardly utilized and the expansion of fishponds can still be made. Out of 500,000 hectares of swampland available, only 135,000 hectares or 26.5 percent are developed. The rational exploitation and improved technology could still increase the catch in areas presently exploited.

The forest resources which is not inexhaustible have been subjected to rather rapid and shortsighted manner of utilization. However, they can still be made to supply present needs while conserving them for posterity through the practice of selective logging under sustained yield management techniques.

Objectives and Goals. In formulating the plan for agricultural development, the following guidelines were taken into consideration:

1. The development of the potentialities of land, aquatic, and forest resources;
2. The improvement and/or development of the institutional framework, including land tenure, credit and marketing, research, agricultural education and information, extension services, and agricultural taxation, to bring about the much-needed expansion of production;
3. The improvement and development of infrastructure facilities that will promote efficiency and economy in carrying out production operations, and marketing and processing of agricultural products; and
4. Providing agricultural producers other opportunities that will enable them to increase their productivity and improve their plane of living and social condition.

The general objective of the program is to turn out the largest volume of agricultural goods capable of entering the competitive market, both locally and abroad. The specific objectives, however, are:

1. To expand and improve production of agricultural crops both for domestic consumption and for export;
2. To step up the output of food animals and animal products, such as, meat, milk and eggs;
3. To increase production of fish and other aquatic products;

4. To peg the output of forest products to what could be sustained by the natural growth of forest; and
5. To improve substantially agricultural productivity.

In setting the targets of production, the following guiding principles have been taken into consideration:

1. That the production of food should be accelerated to provide an output large enough to satisfy the domestic demand and to have some for export;
2. That the production of agricultural raw materials has to be increased to provide the needs of the manufacturing and processing industries and thus do away, as much as possible, with imported agricultural raw materials;
3. That the production of agricultural products for export should be increased and the quality improved consistent with the standards in the foreign markets;
4. That the agricultural income should expand to provide savings that could be used to finance more agricultural enterprises and thus create effective demand for the products of the expanding manufacturing and processing industries; and
5. That the overall agricultural plan should make available employment opportunities to minimize under-employment in agriculture.

Envisioned to be attained during the four-year program period are levels of production shown in Table VII.13.

The attainment of these production goals will allow the raising of food sufficiency ratios between 1964 and 1970 as shown in Table VII.14.

Programs and Projects   The above-mentioned goals are proposed to be attained through the adoption and implementation of a number of programs and projects. In crop production, the emphasis will be on increasing rice and corn production, the stabilization of cereal prices to help both the producers and consumers and on the expansion of irrigation facilities. In poultry and livestock raising, the principal consideration are the improvement in quality and increasing the number of the stock so as to raise the level of supply of meat, milk, and eggs and incidentally assure the livestock producers a steady income from the sale of their produce. In fisheries development, the major features will be the acceleration of the catch of commercial fishing vessels from the deep-seas, the increase in output of the small-scale fishermen using rowboats, sailboats, and bancas in shallow inland and coastal waters, and fishpond development. In forestry, top priority will be the rational utilization and conservation of forest products as well as industrialization of the wood industry.

Table VII.13 - AGRICULTURAL PRODUCTION GOALS FY 1966 - 1970

(In thousand metric tons)

Agricultural products	1964	1965	1966	1967	1968	1969	1970
Crops	12,406.0	12,563.1	13,238.8	13,911.6	14,595.6	15,344.1	16,093.8
Food crops	8,951.6	9,159.3	9,759.4	10,311.1	10,873.9	11,506.9	12,148.8
Commercial crops	3,454.4	3,403.8	3,479.4	3,600.5	3,721.7	3,837.2	3,945.0
Livestock & Poultry	326.1	392.1	413.2	440.0	468.6	498.8	531.2
Meat	226.1	286.2	300.6	320.1	340.9	363.1	386.6
Milk	8.1	28.4	30.2	32.2	34.3	36.3	38.9
Eggs	91.4	77.4	82.4	87.6	93.3	99.3	105.6
Fish	603.5	636.8	670.1	747.3	830.8	914.8	1,002.3
Forestry Products[1/]	3,263.3	3,149.7	3,150.0	3,100.0	2,750.0	2,400.0	2,650.0
Timber	2,763.4	2,618.3	2,600.0	2,500.0	2,100.0	1,700.0	1,900.0
Lumber	499.9	531.4	550.0	600.0	650.0	700.0	750.0

[1/] In million board feet.

Note: Data are actual for FY 1964 and estimated for FY 1965.

Table VII.14 - FOOD SUFFICIENCY ESTIMATED FROM PRODUCTION GOALS 1965 - 1970

(In percent)

Year	Food Crops	Meat	Milk	Eggs	Fish
1964	87.8	30.68	0.43	49.56	63.2
1965	87.3	37.49	1.48	40.57	64.3
1966	88.9	38.04	1.53	41.72	65.4
1967	90.2	39.13	1.57	42.27	70.4
1968	91.8	40.25	1.62	44.08	75.7
1969	93.8	41.39	1.65	45.30	80.4
1970	95.6	42.55	1.71	46.53	85.1

Note: Data for 1964 are actual.

The private sector should be encouraged, through appropriate incentives to expand, intensify, and improve the production of crops, livestock and poultry, fish and forestry products. The efforts of the producers are to be directed to desirable areas that would give the most benefit to them and the nation as a whole.

1. Crop Production Program The objectives of the program of crop production are to accelerate rice and corn production to attain sufficiency in these staple cereals; to increase output of other food crops close to what the country needs; and to step up production of export crops to meet the demand in foreign markets. The year-by-year production targets during the program period by crops are given in Table VII.15. Should these be attained, the sufficiency levels of food crops and the exportable surplus that will be generated are those indicated in Tables VII.16 and VII.17, respectively.

   Accelerating Rice and Corn Production Rice production in FY 1965 amounted to 90.7 million cavans of palay (3,992,465 tons) from a total area of 3,199,670 hectares or an average yield of 28.4 cavans per hectare. This production only met 90.5 percent of the requirement that year. Sufficiency in this staple food is expected to occur in 1969 and by 1970 a surplus may be realized. Refer to

Table VII.15 - CROP PRODUCTION GOALS BY KIND OF CROPS 1967 - 1970

(In thousand metric tons)

Crops	1964[a]	1967	1968	1969	1970
TOTAL	12,406.0	13,911.6	14,595.6	15,344.1	16,093.8
Food crops[1]	8,951.6	10,311.1	10,873.9	11,506.9	12,148.8
Rice (palay)	3,842.9	4,432.0	4,720.0	5,065.0	5,403.0
Corn (shelled)	1,292.7	1,436.0	1,508.0	1,583.0	1,662.0
Fruits and nuts	1,635.7	1,893.0	1,988.0	2,087.0	2,192.0
Roots and tubers	1,572.0	1,768.0	1,839.0	1,912.0	1,988.0
Beans & vegetables	551.2	714.0	748.0	786.0	826.0
Coffee	39.3	48.0	50.0	52.0	55.0
Cacao	3.5	4.8	5.1	5.6	6.0
Peanuts (unshelled)	14.3	15.3	15.8	16.3	16.8
Commercial crops	3,454.4	3,600.5	3,721.7	3,837.2	3,945.0
Copra	1,487.2	1,531.0	1,576.0	1,623.0	1,671.0
Desiccated coconut	63.0	67.0	70.0	74.0	78.0
Sugar	1,689.8	1,770.0	1,830.0	1,880.0	1,920.0
Abaca	134.0	147.0	154.0	162.0	170.0
Tobacco: native	44.1	47.0	50.0	53.0	56.0
Virginia	20.9	21.0	23.0	25.0	28.0
Ramie	5.4	6.4	6.9	7.5	8.2
Rubber	6.0	6.9	7.4	8.0	8.8
All other fibers[2]	3.7	4.2	4.4	4.7	5.0

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[1] Production figures are adjusted to include non-farm and under-reported crops which, according to the Statistical Reporter, Vol. IX, No.1 (January to March, 1965), constitute 21.62% of BAE report for fruits, 65.12% for vegetables, and 0.12% for root crops or tubers.

[2] Includes maguey, kapok, and cotton.

[a] Source of basic data: Bureau of Agricultural Economics, DANR.

Table VII.16 - FOOD SUFFICIENCY RATIO BY KIND OF CROPS[1] 1967 - 1970

(Percent)

Crops	1964	1967	1968	1969	1970
Total food crops	87.8	90.2	91.8	[illegible]	95.6
Rice (palay)	90.1	93.8	96.5	100.0	103.0
Corn (shelled)	103.8	104.1	105.6	107.0	108.5
Fruits and nuts	70.8	73.9	75.0	76.0	77.1
Roots and tubers	197.9	200.9	201.9	202.7	203.5
Beans & vegetables	30.3	33.0	34.2	35.6	37.4
Sugar and syrup	147.2	170.2	178.4	187.0	195.9
Coffee	127.6	140.8	141.4	142.5	145.5
Cacao	22.7	28.2	29.0	30.6	31.7

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[1] Computed by dividing production and goals by requirement times 100. The requirement figures are based on the per capita per year food consumption plus allowances as recommended by the Food and Nutrition Research Center (FNRC), which are: 75.17 kg. for fruits and nuts, 25.83 kg. for roots and tubers, 60.31 kg. for beans and vegetables including shelled peanuts, 11.49 kg. for sugar and syrup, 1.0 kg. for coffee, and 0.5 kg. for cacao.

Table VII.17 - EXPORTABLE SURPLUS BY KIND OF CROPS 1964, 1967-1970

(In thousand metric tons)

Crops	1964[a]	1967	1968	1969	1970
TOTAL	2,248.1	2,506.2	2,613.7	2,713.2	2,808.9
Copra	890.5	878.0	904.0	931.0	958.0
Desiccated coconut	63.0	66.0	70.0	73.0	77.0
Sugar	1,119.5	1,187.0	1,228.0	1,259.0	1,278.0
Abaca	106.0	109.0	112.0	116.0	120.0
Tobacco: nativo	12.3	15.0	17.0	21.0	23.0
Virginia[1]	-	28.0	30.0	32.0	34.0
Ramie	4.4	5.2	5.7	6.2	6.9
Fruits	52.4	218.0	247.0	275.0	311.0
Pineapples	49.8	65.0	72.0	76.0	85.0
Bananas	0.1	144.0	164.0	186.0	209.0
Mangoes	2.5	9.0	11.0	13.0	17.0

[1] Exports of Virginia tobacco include the accumulated stock of 101.8 million kilos in staggered amounts of 20 million kilos a year for 5 years starting in 1966 plus the yearly exportable surpluses of new crops.

[a] Source of basic data: Foreign Trade Statistics of the Philippines, 1964.

Table VII.16. These production goals are hoped to be attained by expanding the area devoted to rice cultivation (Table VII.18) and by increasing the yield per hectare.

With respect to corn, production will be accelerated firstly, to meet the needs for human consumption and secondly, to provide a surplus each year to satisfy the feed requirements of the livestock and poultry industries.

In expanding the area for rice and corn production, only those lands that are highly suitable should be utilized. The Bureau of Soils under its project of soil fertility survey assisted under the U.N. Special Fund, should delineate these areas. Existing rice areas with marginal production are to be retired from rice cultivation and planted to other suitable crops. The project of the Bureau of Forestry on public domain classification and the public land sub-division surveys of the Bureau of Lands will be intensified to allow area expansion for rice and corn production. Landlords whose lands have been sub-divided under the Land Reform Code will be induced to open up new lands for rice and corn under mechanized farming.

It is estimated that a total of 278 thousand metric tons of rice and 42 thousand metric tons of corn will be contributed by the expansion of their respective areas during the program period. This will involve an expenditure of ₱63 million and ₱17 million, respectively. (Table VII.19)

Tablo VII.18 - AGRICULTURAL LAND UTILIZATION BY KIND OF CROPS
1964, 1967-1970

(In thousand hectares)

Crops[1]	1964[a]	1967	1968	1969	1970
TOTAL	7,955.6	8,456.0	8,625.5	8,805.8	8,948.5
Food crops	5,868.6	6,329.0	6,437.1	6,554.9	6,633.9
Rice	3,087.5	3,358.0	3,406.0	3,473.0	3,508.0
Corn	1,897.6	1,984.0	2,004.0	2,013.0	2,011.0
Fruits and nuts	393.0	458.0	479.0	500.0	523.0
Root crops	290.5	313.0	325.0	337.0	350.0
Beans & vegetables	111.8	117.0	122.0	127.0	133.0
Coffee	42.0	48.0	49.0	51.0	53.0
Cacao	9.2	10.8	11.3	12.3	13.1
Peanuts	25.2	28.0	28.4	29.0	30.0
All other food crops	11.8	12.2	12.4	12.6	12.8
Commercial crops	2,087.0	2,127.0	2,188.4	2,250.9	2,314.6
Coconut	1,482.9	1,514.0	1,553.0	1,593.0	1,634.0
Sugarcane	269.9	281.0	288.0	293.0	296.0
Abaca	210.5	214.0	222.0	231.0	240.0
Tobacco: native	61.0	57.0	61.0	66.0	71.0
Virginia	34.5	34.0	36.0	38.0	42.0
Ramie	3.2	3.7	3.9	4.2	4.5
Rubber	19.8	18.0	19.0	20.0	21.0
All other fibers	5.2	5.3	5.5	5.7	6.1

[1] Figures represent areas harvested.

[a] Source of basic data: Bureau of Agricultural Economics, DANR.

Increasing the yield of the area under rice and corn cultivation will be carried through the expansion of irrigation, particularly for rice, extensive use of fertilizers and high-yielding seeds, and control of pests and diseases.

The expansion of irrigation will be pursued under the programs of the National Irrigation Administration (NIA) and the Irrigation Service Unit (ISU). The existing gravity irrigation systems under the NIA will be placed in good shape through repairs and rehabilitation. The systems that have been started but are not as yet operating are to be completed and those that have been planned are to be constructed, if necessary, with the help of the Armed Forces Corps of Engineers. The ISU will be asked to step up its pump installation work which, for the past few years, was at the rate of 80 systems a year. More irrigation equipment and facilities should be brought in under the reparations payments from Japan. The details of the expansion of irrigation are included in the Services and Utilities Program (See Chapter IX).

The extensive use of fertilizers, high-yielding seeds, and control of pests and diseases by the private sector will be promoted under the Rice and Corn Program of the Department of Agriculture and Natural Resources which is a continuing program intended to promote accelerated production of rice and corn. The work involves cooperative action by the Office of the Secretary of the Department of Agriculture and Natural Resources, the

Bureau of Plant Industry, the Bureau of Soils, the National Irrigation Administration, the Agricultural Credit Administration, the Commission on Agricultural Productivity, and the U.P. College of Agriculture. The support of the Rice and Corn Administration is brought in to take care of the marketing end. Its features are: (a) the intensification of the use of fertilizers and improved seeds, and control of pests and diseases; (b) proper cultural techniques; (c) sound water management; and (d) research. A scheme of financing the small rice and corn farmers is included in which the rural banks and private commercial banks, in addition to the ACA, have been added. Small farmers, however, have to be organized into associations if they are to avail of the credit facilities.

To support the basic elements of this government program, ₱12.7 million each year will be made available out of the general appropriations. About ₱5 million from U.S. Public Law 480, and ₱200 million from the Central Bank are proposed to be utilized to meet most of the credit needs of the small rice and corn farmers during the four years of the program.

To enable the farmers to extensively use fertilizers, the ACA which is the implementing arm on fertilizer procurement and distribution of the Rice and Corn Program, is to be given the necessary funds with which to buy the fertilizers and have these available through private channels at the time they are needed in the farms.

The Bureau of Plant Industry will carry on with its program of certified seed production in its propagation farms and should expand the private sector participation to produce enough seeds to meet the need for them by the farmers. It should, likewise, intensify its pest and disease control program.

The Bureau of Soils' share in the appropriation of the Rice and Corn Program should be increased to enable this agency to expand its soil analysis work.

The findings of the U.P. College of Agriculture and the International Rice Research Institute will be availed of. The improved rice varieties produced by these institutions should be tried in the field for rice farmers to see and take advantage of. The Agricultural Productivity Commission and the Bureau of Plant Industry should play a major role in this task.

Rice milling should be modernized by encouraging the replacement of "kiskisans" with "conos" and/or other types of modern ricemills. This program will depend on the grant of liberal credit by government financial institutions and the inclusion of the procurement of these ricemills in the reparations schedules.

The Commission on Agricultural Productivity should mobilize trained extension men to help the farmers in land reform districts and other places in the improvement of farm management techniques.

The bill that has just been enacted into law providing price support for rice and corn should serve as an incentive to rice and corn farmers in increasing their efforts to accelerate production of these cereals. This Act provides, among other things, the procurement of palay by the RCA at a floor price of ₱16 per cavan of 44 kilos and for shelled corn at ₱13 per cavans of 57 kilos. For this incentive scheme to operate effectively, the RCA should be given adequate funds.

The expected additional production of palay and corn through intensive cultivation is 25,489 thousand metric tons. This will involve an expenditure on the part of the private sector of ₱273.7 million. (Table VII.20)

Increasing Output of Other Food Crops The production of other food crops including fruits and nuts, root crops, vegetables, coffee and cacao, and peanuts, will be accelerated. Availability of these products in increasing amounts would not only raise the level of intake of the protective foods, vitamins and minerals which are lacking in the people's diet, but also relieve the pressure of consumption on rice and corn which are already eaten in excess of the nutritional requirement.

The production goals for these products are given in Table VII.15. These goals are to be attained by encouraging the farmers to develop new land areas and intensify the cultivation of these products with the employment of improve methods and sound farm management techniques.

Table VII.19 - ESTIMATED INVESTMENT REQUIREMENT AND PRODUCTION INCREMENT BY KIND OF CROP UNDER THE LAND EXPANSION PROGRAM OF CROP PRODUCTION 1/ 1967 - 1970

(In thousands)

Items	1967		1968		1969		1970		TOTAL	
	Investment (₱)	Production (M.T.)	Investment (₱)	Production (M.T.)	Investment (₱)	Production (M.T.)	Investment (₱)	Production (M.T.)	Investment (₱)	Production (M.T.)
TOTAL	104,525	377.6	104,248	349.2	113,962	359.9	125,284	352.0	448,019	1,438.7
Food crops	57,800	286.7	49,898	259.1	52,732	273.9	46,834	254.6	207,264	1,074.3
Rice	20,122	88.0	13,633	61.9	17,589	76.9	11,698	51.2	63,042	278.0
Corn	9,000	22.2	5,669	14.0	2,298	5.7	-	-	16,967	41.9
Fruits and nuts	17,193	82.0	17,978	85.7	18,876	89.5	19,811	94.5	73,858	351.7
Root crops	4,145	61.7	4,364	64.9	4,400	65.5	4,727	70.3	17,636	262.4
Beans and vegetables	2,240	28.0	2,154	26.9	2,369	29.6	2,498	31.2	9,261	115.7
Coffee	4,500	4.2	5,300	5.0	6,200	5.8	7,000	6.6	23,000	21.6
Cacao	600	0.2	800	0.3	1,000	0.4	1,100	0.4	3,500	1.3
Peanuts	-	0.4	-	0.4	-	0.5	-	0.4	-	1.7
Commercial crops	46,725	90.9	54,350	90.1	61,230	86.0	78,450	97.4	240,755	364.4
Coconut	30,765	30.6	39,900	39.7	45,150	44.9	58,800	58.5	174,615	173.7
Sugar	4,200	51.3	3,350	41.0	2,450	30.0	2,000	24.5	12,000	146.8
Abaca	8,910	5.2	8,690	5.0	10,120	5.9	13,090	5.8	40,810	21.9
Tobacco: native	150	1.1	270	2.0	320	2.3	440	3.2	1,180	8.6
Virginia	250	1.5	240	1.5	240	1.5	370	2.2	1,100	6.7
Ramie	450	0.5	300	0.3	450	0.5	450	1.9	1,650	3.2
Rubber	2,000	0.6	1,600	0.5	2,500	0.8	3,300	1.0	9,400	2.9
Others	-	0.1	-	0.1	-	0.1	-	0.3	-	0.6

1/ The investment figures are for new or additional farm equipment, like work animals, native plows and harrows, tractors, small threshing machines, spraying outfits, curing sheds, flue-curing barns, and others. They also include the initial costs of planting permanent crops, like coconut, abaca, ramie, rubber, orchards, coffee and cacao.

Table VII.20 - ESTIMATED INVESTMENT REQUIREMENT FOR INCREASED PRODUCTIVITY AND OUTPUT UNDER THE INTENSIVE CROP PRODUCTION PROGRAM 1967 - 1970

(In thousands)

Items	1967		1968		1969		1970		TOTAL	
	Investment (₱)	Production (M.T.)	Investment (₱)	Production (M.T.)	Investment (₱)	Production (M.T.)	Investment (₱)	Production (M.T.)	Investment (₱)	Production (M.T.)
TOTAL	183,400	13,494	275,900	14,226	379,900	14,992	522,100	15,803	1,361,300	58,515
Food crops	85,800	9,984	129,100	10,593	177,800	11,235	244,300	11,930	637,000	43,742
Rice and corn	36,900	5,758	55,500	6,152	76,400	6,565	104,900	7,014	273,700	43,742
Fruits and nuts	17,600	1,811	26,500	1,902	36,500	1,998	50,100	2,097	130,700	7,808
Roots and tubers	6,200	1,706	9,400	1,774	12,900	1,846	17,800	1,918	46,300	7,245
Beans & vegetables	11,900	640	17,900	689	24,700	743	33,900	810	88,400	2,882
Coffee and cacao	13,200	54	19,800	60	27,300	67	37,600	74	97,900	255
Others	-	15	-	16	-	16	-	17	-	63
Commercial crops	97,600	3,510	146,800	3,633	202,100	3,757	277,800	3,873	724,300	14,773
Coconut	25,900	1,567	38,900	1,606	53,600	1,655	73,600	1,710	192,000	6,538
Sugar	20,900	1,719	31,500	1,789	43,300	1,850	59,500	1,896	155,200	7,254
Abaca	16,500	142	24,800	149	34,200	156	47,000	166	122,500	613
Tobacco	10,500	65	15,700	70	21,600	75	29,800	80	77,600	290
Others	23,800	17	35,900	19	49,400	21	67,900	21	177,000	78

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The yearly expansion of land areas, the corresponding increases in production and the expected increase in output as a result of intensive cultivation, together with the development costs, are given in Tables VII.19 and VII.20, respectively.

The government will encourage the private sector to increase production of these products by providing planting materials at nominal prices and technical guidance. The marketing problems which hold back the farmers from increasing the output of these products will be minimized by establishing refrigeration and cold storage and processing plants, improvement of the farm-to-market roads and other infrastructure facilities.

In the case of pineapples, bananas, and mangoes which have already been developed for export, market promotion abroad is to be undertaken both by private enterprises and the government. Local demand for these products will be developed by eliminating the competition from similar or allied products imported from abroad through the imposition of higher tariffs and other protective measures.

Increasing local industrial uses of root crops will be sought and foreign markets for the products developed. The local demand can be stimulated by promoting their use as food supplement and substitutes as well as for animal feed.

Production of beans and vegetables only met about 31.7 percent of the allowance for this food item as shown in the

1963 Philippine Food Balance Sheet. Increased production of these will be stimulated by making available planting materials. The Bureau of Plant Industry should undertake the production and improvement of these planting materials in its experiment stations and propagation farms. The community development project sponsored by the Presidential Administration on Community Development which promotes among others the planting of vegetables in homelots should be expanded. The schools should likewise intensify its drive on vegetable gardening among the students.

While the production of coffee has already exceeded domestic requirements, except the Arabica variety which has to be imported for blending purposes, there is still room for increasing production in view of the expansion of the coffee processing industry whose products are now entering the foreign market. The coffee planters, however, have to be supported by government credit both for production and marketing. This is the principal task of the Development Bank of the Philippines and the ACA.

Accelerating the Production of Crops for Export and for Local Industrial Processing The production of traditional export crops such as coconuts, sugar, abaca, and tobacco are to be accelerated to earn more foreign exchange needed badly for economic development. Likewise, the output of crops needed for industrial processing and as substitute for imported raw materials such as rubber, cotton, and soybeans are to be encouraged to save dollars.

The expansion of acreage and the expected production together with the estimated costs for each crop are given in Tables VII.18 and VII.19.

a. Coconut Copra, coconut oil, and dessicated coconut are the principal export products of the coconut industry. Of late these products have been produced in increasing amounts. However, these increases need to be accelerated to meet the local and foreign market demands.

There are a number of problems the coconut industry will have to face which affect the program of increasing production of the coconut products. These include production and marketing problems. Among the production problems are the poor management of coconut plantation resulting in low yield; the devastation caused by pests and disease, notably cadang-cadang; and declining productivity of coconuts due to old age.

The marketing problems are the eventual termination of the duty-free quota of coconut oil in the U.S. and the growing competition from subsidized coconut plantation in Africa, and from soybean oil, cottonseed oil, and fats and oils of animal origin.

The development of the coconut industry and the lowering of the cost of production become the more important in the face of these problems. Thus, it becomes necessary for the Philippine Coconut Administration to campaign vigorously for the application of fertilizers and the planting of cover crops in coconut plantations to increase the yield. Diversification of the coconut industry should be promoted by the utilization of the coconut husks and other parts of the plant that are normally thrown to waste and by utilizing spaces in between trees and the planting of other crops that grow under shade such as coffee and cacao. Plantation owners should be encouraged to replace old and unproductive trees by using high yielding seeds. The PHILCOA should also expand its seed nurseries to provide farmers disease-resistant seedlings.

Quality control of copra, especially those for export should be enforced. The Philippine Coconut Research Institute approved to be established under R. A. 4059 should be provided with adequate appropriations to enable it to undertake researches on coconut and coconut products.

b. Sugar The sugar industry has to contend with the problems it will face when the preferential treatment it receives from the U.S. market shall have terminated in 1974. The country has not been able to develop new markets as the cost of production of sugar is so high that it cannot compete with other sugar-producing countries in the world market. Together with this is the high cost of freight.

The present pressing problem is to fill up the additional quota in the U.S. of about 300,000 metric tons over the regular quota of 1,050,000 metric tons due to the failure of Puerto Rico to fill its sugar quota in the U.S. While it is possible to expand the area to sugarcane, the present capacities of the sugar mills would not accommodate increased cane output. In fact, the sugar millers have to prolong the milling season to enable them to crush all the cane produced. This practice, however, results in the milling of immature and over-mature canes whose sugar content is low. This in effect decreases yields and increases production costs.

To stabilize our sugar industry, the cost of production should be lowered by increasing the yield per hectare, and through diversification. To meet the additional quota which is temporary in nature, it might be advisable to establish new mill districts in Mindanao where muscovado sugar should be produced. This raw sugar can then be reprocessed and converted into the exportable grade in established sugar centrals during the off-milling season.

The Philippine Sugar Institute (PHILSUGIN) should continue and intensify its research for increased yield of sugarcane and increased industrial uses of sugar, while the millers should be encouraged to rehabilitate and improve their present mills to increase their efficiency and capacity.

With the removal of the 20 percent dollar retention and the lowering of cost of sugar, it would be possible to look for additional markets for this commodity.

c. Abaca The expansion of acreage and production of abaca is indicated in Tables VII.18 and VII.19. The industry has to be developed as it is facing a severe test for survival in the world market. Despite the general preference for "Manila hemp" as it is popularly known in other countries, abaca has to contend now with competitions from sisal, henequen, and synthetic fibers.

To save the abaca in foreign markets, it must be produced in amounts that will meet the demand at competitive prices. To do this the plantation type of abaca cultivation should be adopted, instead of the present cultivation in small patches mixed with other crops.

Mechanized stripping should be done to produce good quality fibers at low cost. Effective control of mosaic, the most serious pest of abaca, must be universal to rehabilitate devastated abaca areas and to provent re-infection. Diversification of the abaca industry should be done by utilizing the fiber in the manufacture of twine and rope, as well as other articles like handbags, slippers, drapes and mats.

Recent findings show that spurious varieties of abaca producing low grade fibers and growing wild could be used for pulp and paper manufacture utilizing the whole stem. After removing the fiber, the parenchymatous tissue can still be utilized for animal feed. This findings should be explored and people in the know should be encouraged to develop this industry.

The Abaca Corporation of the Philippines (ABACCRP), the Abaca Development Board and the Fiber Inspection Bureau should mobilize their resources to attend to the rehabilitation of the abaca industry and recapturing the world market for Manila hemp and at the same time promoting the utilization of abaca fibers for the manufacture of other goods for local consumption and marketing abroad.

d. Tobacco Production

1) Virginia tobacco The price support program for Virginia tobacco has resulted in the huge production

and surplus of low-grade tobacco the disposal of which has become a nagging problem of the government. The present stock of 101.8 million kilos cost the government around ₱6.0 million a year for its storage alone on the basis of 233,020 hogsheads at ₱2.20 each hogshead a month. In view of the high support prices and low quality of the stock, it cannot meet competition in the world market.

To solve this problem, a law (R.A. No. 4155)—was enacted in 1964 authorizing the PVTA to sell its stock, including that of the former ACCFA, at the best prices available for the payment of these agencies' obligations to the farmers, FaCoMas, and the Central Bank. In this connection, it is suggested that the low-grade stock, which can be used as filler tobacco, be bartered even at a loss for high-quality Virginia tobacco for blending purposes in view of the glutted condition of the tobacco world market.

To stabilize the industry, the price support program should be directed towards the production of high quality leaves including White Burley and Turkish tobacco which are needed for blending purposes. The price support scale must be revised to conform with world market prices. This means amendment or even repeal of the Virginia Tobacco Subsidy Act and the establishment of an auction floor trading system. Under this system, the Virginia tobacco growers should be given all possible incentives to develop the industry vertically by encouraging them to form a federation and go into the business of flue-curing, redrying, and cigarette manufacturing (Tables VII.19 and VII.20, production increases and cost).

2) Native tobacco The principal problems of the native tobacco industry are low productivity and output of both tobacco and its manufactures. In spite of the production increases made during the last five years, these increases were rather too slow to be of significant advantage in the loss of Cuba's share of the U.S. market.

In order to expand tobacco exports, its production must be increased first through intensified extension work by the PTA technicians in the proper cultural techniques of improving the quantity and quality of output. In line with this, financial support should be extended to promote increased cigar output through mechanization. Promotional activities should also be expanded not only in the United States but also in other foreign markets in preparation for the termination of the Laurel-Langley Agreement (Tables VII.19 and VII.20, production increases and cost).

e. Ramie Production The Ramie Law (R.A. No. 1392) as amended by R.A. Nos. 1768 and 2353 limited the quantity of production to the amount previously contracted for processing in Japan plus some exports to other countries. That was before the two ramie textile mills were established in the country. Lately, however, the demand for ramie had increased not only from Japan but also from the United States and Europe.

This is an excellent opportunity to expand production to earn foreign exchange. Adequate financing (presently being extended at ₱1,000 per hectare) should be made available for the expansion and development of ramie plantations in Mindanao where it is well adapted.

f. Rubber Production The production of rubber is concentrated in Mindanao, especially in Zamboanga del Sur, Basilan, Cotabato, and Davao. The area planted increased from 10,060 hectares in 1961 to 17,010 hectares in 1965, while the production was from 3,715 to 5,942 metric tons during the same period. The production under this program aims to increase the output to 8,800 tons by 1970.

The major problem of the rubber production is lack of capital to finance the big investment requirement which takes 6 to 7 years of waiting from the time of planting to the first tapping or harvesting. Another problem is the lack of planting materials that yield more latex. Such seedling are usually imported from rubber-producing countries.

To accelerate the expansion and development of the rubber industry, lending institutions should grant more and liberal credit to encourage investment in this crop. The Bureau of Plant Industry and the Agricultural Productivity Commission should establish rubber nurseries in the above rubber producing areas for distribution at minimal cost to rubber planters. The 7 percent tax on gross sale of raw rubber is a heavy burden on this struggling industry and therefore should be abolished (Tables VII. 19 and VII.20, production increases and cost).

g. Other Crops Cotton, wheat, and soybeans are among the agricultural raw materials that are imported into the country which are manufactured and processed into products that we consume locally. The quantity and value of importation in 1964 were as follows:

Product	Quantity (M.T.)	Value (1,000 pesos)
Cotton	29,735	64,081
Wheat	345,833	92,446
Soybeans	10,290	3,897

Recent studies have shown that these crops could be grown under Philippine conditions and could be cultivated as secondary crops. However, trial commercial plantings on an extensive basis should be done to determine the economic feasibility of producing these crops. The Department of Agriculture and Natural Resources should actively promote the production of these crops by enlisting the cooperation of the private farmers and the processors of these products. The Development Bank of the Philippines may be brought in to finance small farmers who could venture into the production fields.

Additional Legislative, Executive, and Administrative Devices Essential for Implementation of Crop Production Program

To encourage greater participation on the part of the private sector in the efforts at crop production, the government, in addition to those specifically indicated in the discussions of specific project, will have to implement certain administrative devices, issue executive orders and enact such legislations as will provide clear guidance and incentives to producers.

a. To improve the landowner's capacity to borrow for production and other purposes, the Bureau of Lands should expedite the issuance of land titles by hastening its cadastral and other land surveys as well as the adjudication of conflicting land claims.

b. The land capability surveys should also be expedited by the Bureau of Soils with the assistance of the Land Authority. Results of these surveys and other investigations already completed should be made available in print, in a language understandable to the farmers. Most often, information useful to the men in the field could be found only in technical publications and reports far beyond the comprehension of the layman.

c. The research work of the different agencies under the Department of Agriculture and Natural Resources should be placed under an office of Agricultural Experiment Station, the head of which office shall have the rank of an Undersecretary. Towards this end, there should also be established a National Agricultural Research Center under the DANR. This would make possible a re-examination of the various research programs for the purpose of eliminating waste of resources through the termination or phasing out of undesirable and low priority investigations, and preventing duplication of work while allowing changes in emphasis and the prosecution of new but highly desirable projects. Coconut research for example is undertaken by the Philippine Coconut Administration, the Philippine Coconut Research Institute, the Bureau of Plant Industry, and the U.P. College of Agriculture. Another example is tobacco research which is performed by no less than these agencies two of which are under the supervision of the Department of Agriculture and Natural Resources.

d. To hasten the change from tenancy to owner-cultivatorship under the land reform program as well as the utilization under intensive agriculture of public agricultural domain, owners of landed estates that could be expropriated under the Code should be encouraged to exchange these estates with government land. This arrangement should be accompanied by a credit scheme on the part of government that would give high priority to loan applications of the landowners involved.

e. In extending loans to the small farmers under the Rice and Corn Program or under any program for increased agricultural production, supervised credit should be the governing consideration to assure proper use of the loan and the collection of payments when due.

f. The rural banks program could play a very important role in agricultural development even if, as is the practice now, most of the loans are not for agricultural production purposes. The Chief Executive, through the Central Bank, could encourage the establishment of more rural banks.

g. Should Congress finally authorize the President to reorganize the government, agencies whose functions directly support agricultural production, particularly of rice and corn, such as the Irrigation Service Unit, the National Irrigation Administration, and the Agricultural Productivity Commission should be placed under the DANR. Moreover, agencies under the DANR which have closely related functions as the Abaca Corporation of the Philippines and the Abaca Development Board should be fused.

h. All agencies concerned with banning, limiting, or regulating the importation of agricultural food products should be instructed to strictly enforce the corresponding laws.

i. In the Philippines' participation in the use of U.S. surplus agricultural commodities under U.S. Public Law 480 and the Food for Peace Program as well as under the World Food Program of the United Nations, the Executive Department should instruct the implementing agencies to refrain from the procurement of commodities that will stifle the growth of Philippine agriculture.

j. The Central Bank of the Philippines should be urged to provide the commercial and rural banks that would serve the credit needs of the small rice and corn producers low-interest loan fund of ₱200 million.

k. Congress should amend the Virginia Tobacco Subsidy Law for the purpose of gradually withdrawing the subsidy but introducing a scheme whereby tobacco farmers are assured of reasonable production and commodity loans, given the encouragement to establish their own processing and cigarette manufacturing plants and afforded the opportunity of selling their tobacco in, say, a tobacco auction floor.

l. A five percent export tax should be levied on exports of abaca fiber, copra, and sugar, the proceeds thereof to be used for agro-economic and industrial research for these industries.

m. The public investment program should accord the highest priority to the harnessing of the national water resources for purposes of irrigation, in addition to other objectives such as power, water supply and flood control. To insure that planned and sustained efforts are exerted to develop irrigation systems, a Bureau of Irrigation should be established under the Department of Agriculture and Natural Resources.

n. Every effort should be exerted, preferably in concert with other developing countries engaged in primary export production to seek a more satisfactory trading arrangement for primary exports in the international market in terms of steadily increasing volume and improved and stable prices for tobacco and other exports.

o. Congress should adopt a more realistic policy through appropriate legislation that will have the effect of providing greater incentives for the production of rice and corn and to stabilize at reasonably high levels the prices of palay, rice, and corn.

2. Animal Production Program The overall program of development and improvement of the animal industry of the country is designed with the idea of further expanding production of domestic animals raised for food and improving their quality and productivity. A yearly average rate of growth of six and a half (6.5) percent is sought to be attained, but if feed production could be improved, a higher rate of growth than the 6.5 percent may yet be possible.

Private Sector Participation The development and improvement of the animal industry of the country is the major responsibility of the Bureau of Animal Industry.

Table VII.21 - ESTIMATED NUMBER OF ANIMALS 1966 - 1970

(In thousands)

Items	1966	1967	1968	1969	1970
Carabaos	3,619.0	3,854.2	4,104.7	4,371.0	4,655.5
Cattle	1,568.5	1,670.5	1,799.1	1,916.0	2,040.5
Horses	274.6	292.4	311.4	331.6	353.2
Swine	7,504.5	7,992.3	8,511.8	9,065.1	9,654.3
Goats	632.2	673.2	716.9	763.4	813.0
Sheep	4.8	5.0	5.3	5.6	5.9
Chickens	58,580.6	62,388.3	66,443.5	70,762.3	75,361.8
Ducks	1,766.5	1,854.8	1,947.5	2,044.9	2,147.1
Geese	92.9	100.3	108.3	117.0	126.4
Turkeys	108.4	117.1	126.5	136.6	147.5

Source of basic data: Bureau of Agricultural Economics, DANR.

However, there are also other government offices lending assistance to this particular activity. But the main burden of the work directed at attaining the desired goals is in the hands of the private sector. Toward this end, several fields of investments are open to investors, viz., dairying, beef cattle production, swine production, chicken production, and the production of such group of farm animals as horses, turkeys, ducks, and geese.

a. Dairying The allowances set for milk consumption is quite big and, therefore, the number of animals to be raised to produce this amount of milk is necessarily going to be big also. But the facilities we have on hand are so inadequate that it may take several years before we can produce the amount of milk that we really need. Our estimate is that during the program period, ten percent of the female carabaos (caraballas) eight percent of female cattle (cows), and five percent of female goats (does), will be milked. Local animals are not heavy producers hence the need for importing purebred cows for milk production and for upgrading the local stock.

Based on this estimate, about 100,000 caraballas, 40,000 cows, and 10,000 does are expected to be milked during the first year of the program. It may or may not be necessary to place these animals in organized dairy farms. They can be milked in places where they are located. The Bureau of Animal Industry has plans to establish milk chilling and collection centers to collect milk produced in these places and to process the milk in the central milk processing plants.

The development of dairy industry hinges very much on establishing and maintaining dairy farms with purebred animals such as Holstein,Jerseys, Brown Swiss and others. Trials with these animals for dairy work under local conditions have been made and under proper management they have been found to do well in this country. These improved purebreds, however, are not available locally in desirable quantities.

A cow of any of these breeds with excellent pedigrees will cost from $500 to $1,500, may be more, c.i.f., Manila. The bulls usually cost a trifle higher. Their production usually runs from 10 kilos to 20 kilos a day in a lactation period of 300 days. Because these animals have been bred for high milk production, they are highly strung and would therefore require special care, which most of our so-called livestockmen may not give. A dairy farm of 100 cows using any of these breeds of cattle or a combination of these breeds will require an initial investment of about ₱550,000.

b. Beef Cattle Production . The program envisions the increase of 6.5 percent or 100,000 heads a year. At the rate of

500 heads of cattle for every 500-hectare ranch of improved pasture, this will mean establishing 200 ranches. Small farms which are presently established may account for a big share of the beef production envisioned.

In establishing and maintaining a 500-hectare ranch, the initial investment necessary is estimated at about ₱60,000 or ₱600 per head of cattle. Therefore, in raising the number of cattle to bring about an increase of 6.5 percent, the total amount necessary will be about ₱50 million a year.

With improved purebred beef cattle, an initial investment of ₱150,000 will be needed to establish one beef cattle ranch.

c. Carabao Production Carabaos are raised principally as beasts of burden. Their principal usefulness in this regard is in lowland rice cultivation where, for a time, it was thought that they were irreplaceable. But with the advances in technology, the carabaos are fast being replaced by tractors and other machines in these fields. However, carabaos can still be used to supply the meat and milk requirements of the growing population. Carabaos do not readily yield to large-scale production as cattle.

When they are turned out in the fields for a considerable length of time, they easily become wild and catching them poses grave problems. The best way is to raise them by hand feeding.

Carabaos produce milk containing about 8 to 10 percent butter fat and is considered richer than cow's milk. However, they produce only an average of about two liters of milk per day in a lactation period of from 120 to 200 days. To improve their milk production, they are being crossed to Murrah buffalo bulls. Murrah buffaloes are reputed to produce as much as ten kilos of milk a day in a lactation period that may last up to 300 days.

No study on the cost of producing carabaos whether for work, for beef, or for milk is available. It may be safely estimated to cost around ₱130 to raise an animal to about two years of age. To produce, therefore, an additional 250,000 carabaos in a year, the total cost will run to about ₱25 million.

d. Swine Production   Swine have been raised in this country since time immemorial. The number of swine raised in 1965 is larger than in any other country in the Far East with the exception of Communist China. Local breeds of pigs are small but with the introduction of foreign pure breeds and their crossing with the native pigs, a definite improvement is now noticeable among the local stock. The program calls for increasing the number of pigs raised by 6.5 percent or a yearly increase of about 500,000 heads. To produce this much, it is expected that not only will more people raise pigs but bigger swine farms will be established.

The cost of producing pigs in organized swine farms has been variously estimated from ₱2.00 to ₱2.20 per kilo liveweight. A pig at 8 to 10 months of age will weigh up to 100 kilos. On this basis, therefore, it will cost about ₱220 to raise a pig of market age. To raise 500,000 heads of pigs, the total amount needed will be around ₱110.0 million.

e. Poultry Production Poultry or chicken raising is now widespread and is so specialized that people engaged in it can either be: (a) a breeder, (b) an egg producer, (c) a hatchery man, (d) a broiler producer, or (e) a plain middleman.

Chicken raising is now a big industry. Farms are known to have as many as half-million birds at any given time, and farms have been integrated to produce table eggs, broilers, baby chicks, and feeds too.

Investment in chicken raising depends on the nature and size of the enterprise. A 1000-hen unit for table egg production will need about ₱16,000 to establish at a cost of ₱16 per hen. To raise about four million chickens a year will cost some ₱64 million. A broiler plant producing 250 broilers a week will need ₱30,000 as initial investment.

In the Philippines the hatchery business is usually a side operation to big chicken farms, unlike in other countries where it is a separate business in itself. A hatchery usually is equipped with a number of incubators ranging in capacity from 50,000 to several hundred eggs and brooders for hold-over chicks. Chick sexing is usually practiced. A hatchery (capacity of 50,000 eggs) may require an investment of ₱50,000.

f. Horse Production The production of horses at present is centered in producing specimens for the race track. Native mares are crossed to stallions of superior breeding in an effort to produce horses that will likely win the races particularly in sweepstakes races where good prizes are offered. Imported stallions usually cost from ₱3,000 to ₱10,000 each while native and grade mares cost from ₱500 to ₱1,000 each, or more, for those that carry excellent breeding records.

Table VII.22 - ESTIMATED PRODUCTION OF MEAT, MILK, AND EGGS 1965 - 1970

(In metric tons)

Items	1965	1966	1967	1968	1969	1970
1. Large Animals	42,015.0	44,722.0	47,527.2	50,601.4	52,881.6	57,367.9
Carabaos	15,045.0	16,005.0	17,040.0	18,135.0	19,305.0	20,550.0
Cattle	26,754.0	28,483.0	30,238.0	32,201.0	34,294.0	36,517.0
Horses	216.0	234.0	249.2	265.4	282.6	300.9
2. Small Animals	174,340.5	181,576.0	193,384.5	205,949.8	219,332.4	233,586
Swine	172,615.0	179,740.0	191,430.8	203,869.6	217,118.0	231,228.8
Goats	1,713.0	1,822.5	1,939.5	2,065.5	2,199.0	2,341.5
Sheep	12.0	13.5	14.2	14.7	15.4	16.2
3. Poultry	69,936.2	74,397.6	79,249.3	84,418.2	89,925.6	95,743.2
Chickens	65,443.2	69,697.0	74,227.3	79,052.1	84,190.5	89,662.9
Ducks	1,772.5	1,821.6	1,912.7	2,008.3	2,108.7	2,214.1
Geese	1,255.5	1,330.0	1,436.4	1,551.1	1,675.2	1,758.9
Turkeys	1,465.0	1,549.0	1,672.9	1,806.7	1,951.2	2,107.3
4. Eggs	77,428.4	82,407.5	87,691.6	93,315.7	99,301.4	105,672.2
Chickens	72,772.1	77,502.3	82,539.9	87,905.0	93,618.8	99,704.0
Ducks	4,618.8	4,861.1	5,104.1	5,359.3	5,627.2	5,908.5
Geese	18.6	21.8	23.5	25.4	27.4	29.5
Turkeys	18.9	22.3	24.1	26.0	28.0	30.2
5. Milk	28,431.0	30,270.0	32,227.5	34,342.5	36,362.5	38,925.0
Caraballas	15,921.0	16,275.0	17,340.0	18,465.0	19,665.0	20,940.0
Cows	12,360.0	13,170.0	14,010.0	14,940.0	15,900.0	16,920.0
Goats	780.0	825.0	877.5	937.5	997.5	1,065.0
TOTAL (1-2-3)	286,291.7	300,695.6	320,161.0	340,969.4	363,139.6	386,697.6
GRAND TOTAL	392,151.1	413,373.1	440,080.1	468,627.6	498,803.5	531,294.8

g. Others The investment that will be needed in duck, turkey, and goose raising is small compared to those of other animal production. In the case of ducks, for example, the expansion of production is limited by the supply of feed which consists of snails found in Laguna Lake. In case of turkeys and geese, the demand is so limited that no major investment in these areas will be needed.

h. Feed Requirement The expansion in the number of livestock and poultry as programmed, will necessarily bring about an increase in the amount of feed required especially of concentrate feeds. It must be noted that the number of animals being given the balanced ration is but a small segment of the total number of animals on hand. However, the amount of feed available is not even sufficient for this number. Corn, the main ingredient of animal feed mixtures, is still in short supply so that at times it has to be imported. Rice bran and copra meal which are by-products of the rice and coconut oil industries are available in practically unlimited amounts but some of the more important ingredients like fish meal, meat meal, meat scrap, antibiotic feed, vitamin and mineral supplements, are still being imported.

The importation of animal feed for 1964 is as follows:

	Quantity (kilos)	Value in pesos
Fish meal	9,295,141	4,318,695
Meat meal	8,064,013	2,950,365
Powdered milk for animal feed	30,037	16,505
Whey for animal feed	5,000	2,294
Poultry feed concentrates and mixtures	16,537	19,812
Other feed wastes and prepared animal feeds	541,274	239,837
Bean oil-cake or meal	6,442,467	2,403,083

With the establishment of flour mills in the country, wheat bran, and wheat middlings which are by-products in the making of wheat flour, and which are used for animal feed, have become available. Soybean oil meal is also presently available locally.

In estimating the total feed requirements as shown in Table VII.23, only such number of matured animals were considered to be fed with concentrate feed, as no statistics showing the number in the different age groups is available. The estimate of feed requirements is affected by the feed mixtures used and amount given per animal.

Table VII.23 - ESTIMATED FEED REQUIREMENTS
1965

(In million kilograms)

Animals	Chickens	Pigs	Cattle	Carabaos	Horses	TOTALS
Total Number	50,926,400	6,938,500	1,559,900	3,345,000	264,000	
No. fed with concentrates	11.38(M)	1.38(M)	0.7799(M)	.0335(M)	.0132(M)	
Feed ingredients:						
Corn[1/]	187.77	588.09	170.79	2.445	3.726	922.821
Rice bran	—	659.56	426.99	5.991	3.854	1,096.395
Fish meal	16.50	101.47	—	—	—	119,897
Soybean oil meal	49.50	101.47	199.26	2.690	1,927	352.920
Wheat bran	62.02	—	—	—	—	62.020
Wheat middlings	30.72	—	—	—	—	32.720
Copra meal	—	49.48	28.46	0.610	0.360	78.910
Cane molasses	20.48	20.29	11.39	0.120	0.280	52.560
Shell powder	11.95	25.30	14.20	0.310	0.150	51.910
Common salt	0.11	5.07	2.84	0.060	0.050	8.130
Ipil-ipil leaf meal	11.95	—	—	—	—	11.950
Dried whey	11.95	—	—	—	—	11.950
Bone meal, steamed	7.97	—	—	—	—	7.970
TOTAL	410.92	1,520.73	853.93	12.226	10.347	2,808.163

[1/] Includes corn grains and by-products of corn.

Note: The amount of feed for the ensuing year will increase correspondingly with the increase in the number of animals from year to year.

Programs and Projects of the Public Sector To promote the development of animal production, the following government programs and projects are to be financed during the program period. These activities are intended to provide assistance and encouragement to the private sector whose participation in the attainment of the program goals in animal production will mostly depend:

a. Importation of Breeding Animals More purebred animals — cattle, buffalo, and swine - should be imported by the government and the private sector to augment existing stock and to boost the development and improvement work being pursued. Those to be imported by the government, as soon as they are released from quarantine, should be distributed among the different stock farms and breeding stations of the Bureau of Animal Industry for acclimatization and propagation. Animals in excess of the requirement for improvement work shall be offered for sale to the public for breeding purposes to enable those with meager means to own purebred animals. The amount of ₱11.0 million is earmarked for the importation of breeding animals for the program period.

b. Restocking of Stock Farms and Breeding Stations of the Bureau of Animal Industry The 9 stock farms and 43 breeding stations should be stocked to capacity at all times so that they could meet the demand for high quality foundation stock at lower prices than those obtainable elsewhere. It must be noted that these farms and stations were established precisely to meet this objective. Only 442 breeding cattle and 1,396 pigs were sold in 1965. It is hoped that the sale in the following years will be increased after restocking these farms and stations.

c. Establishment of Breeding Farms At least four more breeding farms should be established and the number of breeds raised in each of these farms should be limited to at least two to facilitate management. One of these farms should be established in 1968, two in 1969 and another in 1970, at an approximate cost of ₱250,000 for each breeding farm.

d. Upgrading of Local Stock through Natural Breeding and Artificial Insemination The local stock definitely lack substance but they can be improved through upgrading by natural breeding or artificial insemination. This work which is being undertaken by the Bureau of Animal Industry with the cooperation of other agencies should be continued and expanded. Artificial insemination centers should be established in at least every province of the country beginning 1967 and the services extended to as wide an area as possible as the years go by.

In 1965, 112 cattle and 13,846 swine were artificially inseminated. It is hoped that in the next four years 2,000 cattle, 1,000 buffaloes, and 100,000 swine will be served.

Side by side with these breeding services, the castration of undesirable males will be undertaken to prevent them from reproducing their kind.

e. Livestock Dispersal, Swine Chain, and the Cockerel Exchange Program This is a continuing project which is sought to be expanded. Republic Act No. 4069 provided funds from the sale of bonds for its expansion. However, the allocated amount for the early implementation of the Act has not yet been released because no bonds have been sold so far. The amount of ₱5 million has been programmed for FY 1967 from this Act, of which ₱3 million will go to the purchase of the necessary animals for dispersal.

The total number of animals dispersed in 1965 was 6 carabaos, 116 buffaloes, and 361 cattle. It is planned to step up distribution of animals under this program from 790 in 1967 to 1,150 in 1970.

f. Feed Grain, Forage Production, and Pasture Development This project will be undertaken in the stock farms and breeding stations of the Bureau of Animal Industry to provide animals with sufficient and adequate feeds. The pastures will be improved and placed under planned management. The preparation of hay and silage, and grass and legume meals will also be undertaken. Irrigation facilities including the construction of water-holding ponds will be constructed to insure production of grain feed and forage throughout the year. It is hoped to reduce consumption of concentrate feeds after all these had been done. Funds for this project are included in the general appropriations of the Bureau of Animal Industry.

g. Dairy Development The development of the dairy industry which was started long before the outbreak of World War II suffered immensely during the war. The painstaking task of reviving the work on the development of this industry immediately after the war was borne largely by the government. Dairy breeding animals, including Murrah buffaloes, were introduced from the United States, Australia, Japan, and India. Lately, the private sector came in and they also imported dairy animals for their dairy farms.

The objective in developing this industry is to provide our growing population with enough milk, especially the expectant and nursing mothers and infants, by increasing domestic production, thus cutting the importation of this commodity or reducing it to a bare minimum.

Republic Act No. 4041 was enacted to provide more funds for the development of the dairy industry. With funds coming from that Act, it is envisioned to establish a dairy breeding farm in Camalig, Albay, complete with a milk processing plant in 1967 in addition to the dairy breeding farm in Bongabon, Nueva Ecija. Carabaos, Murrah buffaloes, and goats will be developed in addition to cattle, for milking purposes. Importation of superior dairy breeds will be made for which the amount of ₱7.2 million is planned to be expended for this purpose during the program period.

Corollary to the establishment of dairy breeding farms, milk chilling, and collection centers in at least six places (Pampanga, Tarlac, Bulacan, Rizal, and Camarines Sur) will, likewise, be established in 1967 and more in the following years. Small milk producers will be organized to facilitate collection of milk.

It is not enough that an increase in the production of livestock and poultry is attained. More important is maintaining a favorable climate for increasing production, conserving the stock, and other resources connected thereto. These are continuing projects which call for:

1) Prevention, control and eradication of animal pests and diseases Success in animal production can be attained only if the ravages of communicable diseases and maladies affecting them could be prevented, placed under control, or completely eradicated from this country. The work that had been undertaken along this line has been quite satisfactory as witnessed by the fact that, for the last few years, there have been no serious outbreaks of infectious, communicable diseases. This does not mean, however, that we have to be complacent about the matter. On the other hand, efforts

should be redoubled towards completely eradicating these diseases. There is still a great need for a continuous disease intelligence so that preventive measures could be instituted to prevent the outbreak of animal diseases and infestations.

Immunization of the stock should be carried on regular, periodic intervals. Sick animals should be treated and quarantine measures should be enforced and strictly observed. A quarantine station or two should be established immediately in strategic places to accommodate animals to be imported.

The slaughter of animals in all chartered cities and municipalities should be regulated and closely supervised by the National Government through the nationalization of the meat inspection service. An amendment to the existing laws regarding meat inspection should be sought to place the service wholly under the control and supervision of the Department of Agriculture and Natural Resources.

2) Diagnostic laboratories Heretofore, laboratory diagnosis of animal pests and diseases

were done in the central laboratory of the Bureau of Animal Industry, but since this is time-consuming it was decidod to establish regional diagnostic laboratories to facilitate the work of diagnosis thereby insuring the early institution of remedial measures. As of this writing, four regional diagnostic laboratories have been established, but these are still poorly equipped. Three more are contemplated to be established, viz., in Region II with headquarters at Tuguegarao, Cagayan; Region IV with headquarters at Naga City; and in Region VIII with headquarters at Davao City.

3) Production of biologics With the expected increase in livestock and poultry production, the production of biologics will necessarily be increased.

4) Research Research in the field of animal production includes investigations and studies on the etiology, prevention, control, and eradication of pests and diseases; investigations and studies on breeds and breeding, feeds and feeding, livestock farm management, including studies on the different forages and legumes; and utilization and industrialization

of animal products and by-products.

Although satisfactory results have been obtained so far, this research project should, however, be pursued further in an expanded and intensified manner. The central research laboratories of the Bureau of Animal Industry should be expanded, properly equipped and staffed with qualified and competent men so that problems involving animal production can be solved with facility.

5) Livestock experiment stations Five regional livestock experiment stations should be established: 2 in Luzon, 2 in the Visayas, and 1 in Mindanao, to enhance solutions to the problems plaguing the industry. These experiment stations should be finished and in operation by 1970. To be responsive to the needs of the time, these experiment stations should be adequately supported with funds and equipment as well as qualified and competent personnel.

6) Fascioliasis research project A fascioliasis research project leading to the control of liver fluke infestation should be initiated

now. Fascioliasis is one of the most destructive diseases of livestock. It causes unthriftiness, debility, and eventually death among carabaos, cattle, sheep and goats. It also affects man. Mortality due to this disease is quite high and had been increasing during the last many years. The disease takes a long course. Animals so affected become debilitated and incapacitated for production activity. The disease is now widespread and available preventive and curative measures are apparently not enough. More has to be studied of this disease to protect our growing livestock industry against it.

Additional Legislative, Administrative, and Executive Devices Essential for the Implementation of the Livestock Development Program

a. Education and Extension There is an urgent need for expanding activities along this line. Immediate action should be taken on the training of technical men locally and abroad. Vocational agricultural schools and colleges should be up dated and more subjects on animal husbandry, particularly on dairy husbandry and technology, should be included in the curriculum. A program of sending scholars abroad to specialize in the different fields of animal production should be adopted to meet the need created by expansion of production. The extension services should be strengthened and the results of research and other studies in animal production should be made available to the people in a manner understandable to them. Shows and fairs should be held as often as possible, as well as community assemblies, and conferences. Better coordination among the different agencies performing similar functions should be secured. More attention should be focused toward assisting the private sector in the establishment of more dairy farms and cattle ranches. The organization of breed associations to hasten development of the breed as well as the organization of farmers' cooperatives should be undertaken. Conservation of resources related to animal production and stock shall be taught to the people. Squatting in pasture lands should be prevented.

b. Management of Pasture Lands The management and administration of the public pasture lands now in the hands of the Bureau of Forestry should be transferred immediately to the Bureau of Animal Industry, together with the appropriations, equipment, and the competent and qualified personnel. The forage research project which was transferred to the Bureau of Plant Industry should be returned to the Bureau of Animal Industry for a better coordination and implementation of the national animal production program.

The present practice of leasing pasture lands should be revised and extended from 10 to 25 years. A ten-year period is considered too short if we are to take into account that pasture improvement usually takes a long time. Pasture leases and permits that are not being used to advantage should be cancelled.

c. Dairy Administration A Dairy Development Administration should be created immediately to undertake a rapid development of the dairy industry. All activities now being undertaken by the bureaus and offices under the Department of Agriculture and Natural Resources having to do with dairying - its improvement and development - including appropriations, equipment, etc., together with the personnel assigned to it who may be found qualified shall be transferred to this new office. No new appropriation will be involved in the creation of this Administration. The establishment or organization of milk supply unions, cooperative creameries and condenseries will be undertaken by the Dairy Development Administration as among the measures for a faster development of this industry. In connection with the development of the dairy industry, the Government should look into the progress of compliance by the filled milk industry of their obligation to assist in promoting the development of the dairy industry.

d. Transfer of the Bureau of Animal Industry Research Laboratories The research laboratories of the Bureau of Animal Industry should be transferred to a more spacious space preferably in Alabang Stock Farm, Muntinlupa, Rizal, where a biological farm may also be established. The present laboratory is fast being crowded out in its present location by cultural and business establishments and a laboratory in that setting leaves much to be desired. In fact, the head office of the Bureau of Animal Industry should also be moved to this Farm or to some other place as the present site had already been ceded to the Philippine College of Commerce.

e. The Dairy Training and Research Institute The charter of the Dairy Training and Research Institute should be amended in such a manner that its management should rest solely with the College of Agriculture, U.P., and funds for its operation and maintenance shall be included in the annual appropriations of the University of the Philippines. It must pursue more vigorously its fundamental duties of training manpower and research to be of more assistance to the development of the dairy industry.

f. Slaughter House and Cold Storage Modern but modest slaughterhouses with cold storage and refrigeration plants should be constructed under the authority of C.A. No. 340 and managed by the Bureau of Animal Industry to safeguard public health from consuming tainted and/or spoiled meat.

g. Marketing A Livestock and Poultry Marketing Administration should be established through proper legislation preferably within this fiscal year (1966-1967) to assist livestock farmers market their products more profitably. In this connection, efforts should be exerted to locate foreign markets for our livestock, poultry, and their products. Production is fast expanding and exports should be allowed, at least of pork, poultry, and eggs, so that producers would get better profit than what they are getting now in the local market which is rather limited due to the low purchasing power of a large majority of the consumers. If producers would get substantial profits from the export that could be developed, production is likely to expand further.

h. Incentives to Industrialization The industrialization and processing of animal products such as meat and milk should be encouraged and processors given sufficient incentives such as credit, marketing aid, etc., so that they can produce quality products for both domestic and foreign markets.

i. NAMARCO Importation Tax-free importation by NAMARCO of practically unlimited amounts of milk and other dairy products and of processed meat products which are offering stiff competition to locally manufactured products should be reviewed. Importation may be allowed only if such importation is made to pay duties and the volume gradually reduced in proportion to the improvement and expansion of domestic production.

j. Credit Credit, the clamor of both big and small producers, should continue to be available and to be extended more liberally. Unless this is done, the livestock farmers would continue patronizing local money lenders who charge not only unreasonable rates of interest but also at very onerous terms. These loan sharks who have been the source of credit to most of our small to medium farmer-producers have been allegedly the cause of the very slow progress of our animal industry.

k. Survey of the Beef and Dairy Industry .A nation-wide survey of the beef and dairy industry or, for that matter, of the whole animal industry, should be undertaken immediately so that the potentials of the industry may be properly inventoried and appraised. This is a job for the Bureau of Agricultural Economics which may be assisted in this undertaking by the Bureau of the Census and Statistics, the Office of Statistical Coordination and Standards, the Bureau of Animal Industry, and possibly the U.N. Development Fund. This survey is particularly desirable in inviting investors to invest in the industry.

l. Animal Industry Council An Animal Industry Council should be created by an Executive Order of the President as soon as possible to bring about the proper coordination in the planning and programming of the development of the animal industry of the country and the implementation of the plans and programs that would be adopted. The Council should be made up of men in the government service and those in the private sector who are actively engaged in animal production. The chairmanship of the Council should reside in the

Undersecretary for Agriculture. This Council should assist the National Economic Council in the planning and programming of the development and improvement of the animal industry of the country.

m. Financial Requirement The estimate of financial requirement for the development of the animal industry sector of the economy is given in Table VII.24. This amount is to be expended by the Bureau of Animal Industry and is based on the estimates of budgetary requirement for fiscal year 1967. Other items of expenditures for animal production had been included in the estimates of financial requirements of the Agricultural Productivity Commission and the Bureau of Agricultural Economics.

The private sector which is expected to carry on the heavy burden of development and improvement of the animal industry sector is expected to spend P1,078,493,600 (Table VII.25) during the four-year period of the program.

3. Fish Production Program The general objective of the fisheries development program is to set the pace of production at a faster rate towards self-sufficiency and the provision for surplus to export.

The specific objectives are to accelerate the catch

Table VII.24 - ESTIMATE OF FINANCIAL REQUIREMENTS FOR CARRYING OUT THE ANIMAL PRODUCTION PROGRAM

Programs and Projects	1967[a]	1968[b]	1969[b]	1970[b]	Total
Total for Bureau of Animal Industry	14.984.740	17.416.805	17.081.240	19.345.675	68.828.460
Prog. I. Promotion and development of animal industry	9.902.390	11.516.805	12.881.240	14.445.675	48.746.110
Project:					
1. Livestock & poultry improvement & development	2,899,594	3,334,530	3,769,470	4,204,410	14,208,004
2. Dairy development	945,856	1,087,730	1,2[illegible],610	1,371,470	4,634,686
3. Livestock dispersal	980,000	1,078,000	1,176,000	1,274,000	4,508,000
4. Immunization & other control services	2,926,257	3,218,880	3,511,510	3,804,135	13,460,782
5. Research & experimentation	894,525	1,028,700	1,162,880	1,297,060	4,383,165
6. General administration	1,256,158	1,318,965	1,381,770	1,444,580	5,401,473
7. Fasciolosis research[1]	-	250,000	300,000	450,000	1,000,000
8. Establishment of regional experiment station[1]	-	200,000	350,000	600,000	1,150,000
Prog. II. Construction of permanent improvement	585.000	900.000	1.200.000	1.900.000	4.585.000
Prog. III. Purchase of breeding animals	4.497.350	5.000.000	3.000.000	3.000.000	15.497.350

[1] New projects. Capital outlay included in Programs II & III.

[a] Actual.

[b] Projected.

Table VII.25 – FINANCIAL REQUIREMENTS OF THE PRIVATE SECTOR PARTICIPATION IN LIVESTOCK PRODUCTION

(In thousands)

Items	1967 Current operating expenditure (₱)	1967 Capital outlay (₱)	1967 Capital outlay ($)	1967 Total (₱)	1968 Current operating expenditure (₱)	1968 Capital outlay (₱)	1968 Capital outlay ($)	1968 Total (₱)
Propagation of local stock	195,222.0	32,849.7	-	228,071.7	208,067.0	35,013.5	-	243,080.5
Importation	130.0	-	825.0	3,430.0	200.0	-	1,465.0	6,060.0
Propagation of imported stock	1,420.0	60.0	-	1,480.0	246.0	103.0	-	2,563.0
Purchase of equipment	-	-	150.0	600.0	-	-	200.0	800.0
T O T A L	196,772.0	32,909.7	975.0	233,581.7	210,727.0	35,116.5	1,665.0	252,503.5

Items	1969 Current operating expenditure (₱)	1969 Capital outlay (₱)	1969 Capital outlay ($)	1969 Total (₱)	1970 Current operating expenditure (₱)	1970 Capital outlay (₱)	1970 Capital outlay ($)	1970 Total (₱)
Propagation of local stock	227,664.5	37,293.2	-	264,957.7	236,174.5	39,724.2	-	275,898.7
Importation	390.0	-	3,210.0	13,230.0	560.0	-	4,800.0	19,760.0
Propagation of imported stock	5,560.0	212.0	-	5,772.0	8,290.0	305.0	-	8,595.0
Purchase of equipment	-	-	450.0	1,800.0	-	-	600.0	2,400.0
T O T A L	233,614.5	37,505.2	3,660.0	285,759.7	245,024.5	40,029.2	5,400.0	306,653.7

S U M M A R Y

Year	Current operating expenditure (₱)	Capital outlay (₱)	Capital outlay ($)	Total (₱)
1967	196,772.0	32,909.7	975.0	233,581.7
1968	210,727.0	35,116.5	1,665.0	252,503.5
1969	233,614.5	37,505.2	3,660.0	285,759.7
1970	245,024.5	40,029.2	5,400.0	306,653.7
GRAND TOTAL	886,138.0	145,560.6	11,700.0	1,078,498.6

of commercial fishing vessels[a] to increase the output of municipal fisheries[b] and sustenance fishing, and to increase the fish harvest in fishponds and develop other fish culture industries.

The program of expansion and the year-by-year production goals from different sources are given in Table VII.26.

The production goals would be attained through the following:

a. Acceleration of the Catch of Commercial Fishing Vessels The catch of commercial fishing vessels would be accelerated over and above normal growth by about 4.0 percent during the program period. This will be attained by developing the tuna fisheries of the offshore waters, improving the crafts and gear now in use for efficient fishing, and expanding the fleet.

1) Development of the tuna fisheries The tuna and tunalike[c] fishes reported to be abundant

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[a] Fishing boats of more than 3 tons gross licensed by the Philippine Fisheries Commission.

[b] Fishing boats of 3 tons or less licensed by municipal governments.

[c] These species of fish have been reported by Japanese fishermen to be abundant in Philippine waters which was verified in the surveys made by the U.S. Fish and Wildlife

Table VII.26 - YEARLY PRODUCTION GOALS OF FISHERIES DEVELOPMENT PROGRAM 1964 (ACTUAL), 1965 & 1966 (ESTIMATED), & 1967 TO 1970 (PROJECTED)

(In thousand metric tons)

Year	Total	Commercial fishing vessels	Municipal fisheries & sustenance fishing	Fishpond
1964	603.4	258.1	282.7	62.6
1965	636.8	286.2	287.1	63.5
1966	670.1	314.3	291.5	64.3
1967	747.3	359.4	309.4	78.5
1968	830.8	414.5	327.8	88.5
1969	914.8	469.6	346.7	98.5
1970	1,002.3	524.7	369.1	108.5

in Philippine waters will be developed. The "Deep-Sea Development Project"[d] of the Philippine Fisheries Commission, assisted under the U.N. Special Fund started in 1965 and which shall continue up to 1970, will be made to spearhead the development of the tuna fisheries.

The purposes of the project, among others, are to carry out extensive experimental fishing, to train fishermen in new fishing methods of catching tuna, to improve the fish preservation processing and distribution, and render advisory service in the technical and economic planning of fisheries projects.

The fisheries projects of the White Rose Packing Corporation, the Mindanao Development Authority, and the Visayan Packing Corporation would be induced to come into and develop the tuna fisheries under this U.N. assisted project.

It is hoped that no less than 10 new tuna long-line outfits could be launched every

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c/ Service under the Philippine Fishery Program (1946-1950) of the Philippine Rehabilitation Act.

d/ Described in detail in the Project Proposal and Plan of Operation agreed upon by and between the Philippine Government and the FAO of the United Nations filed with the National Economic Council.

year during the program period for tuna fishing, involving an annual expenditure of ₱5.0 million by the private sector. It is estimated that at least 3,000 metric tons of fish could be added annually to the catch of commercial fishing vessels from this source.

2) Improvement of crafts and gear for efficient fishing Generally, the fishing boats now in use for commercial fishing are antiquated and inadequately equipped for efficient fishing. This condition results in long fishing operations, poor catches, and high cost of production. These vessels need reconditioning and/or conversion for better fishing efficiency

The Philippine Fisheries Commission has started a campaign of converting inefficient trawlers or trawler-type boats for purse-seine operation which has been shown to catch as much as ten times that of the bag net already considered an effective method of fishing. Technical assistance will be extended to the private fishing boat operators by the fishing experts in the Deep-Sea Development Project. There are already about 35 boats that have been converted since the start of the campaign.

This project will be continued and expanded. The goal would be 25 boats a year so that by the end of the program period there shall have been converted 100 purse-seine outfits in the fleet. At a conservative estimate of catch of 600 tons per boat per year, there will be added to the catch of commercial fishing vessels of about 15,000 tons annually.

The amount of investment needed for converting 25 boats for purse-seine fishing every year would be about ₱3.5 million as shown in Table VII.28.

3) Expansion of the fleet of commercial fishing vessels There were in 1964 some 1,946 commercial fishing vessels that operated but only 600 were sufficiently powered for deep-sea and offshore operations. There would be added 20 boats of 100 tons to 150 tons gross for deep-sea and mid-water trawling every year during the program years.

A yearly addition of about 9,000 tons to the output of commercial fishing vessels is expected from these boats. This will involve a yearly investment of about ₱8.0 million as

Table VII.27 - ESTIMATE OF FINANCIAL REQUIREMENT OF THE PUBLIC SECTOR FY 1967 TO FY 1970

(In thousand pesos)

Programs & Projects	1967	1968	1969	1970	Total
A. On-Going					
Program I. Conservation and development of fishery resources	5,993.4	6,564.6	7,135.6	7,707.3	27,400.9
Proj. 1. Fishery management	1,615.5	1,696.2	1,777.0	1,857.8	6,946.5
Proj. 2. Fishery research & experimentation	421.9	464.1	506.3	548.5	1,940.7
Proj. 3. Fishery development	2,595.6	2,984.9	3,374.2	3,763.6	12,718.3
Proj. 4. Fishery planting	259.6	285.6	311.5	337.5	1,194.2
Proj. 5. General administration	1,100.8	1,133.8	1,166.9	1,199.9	4,601.4
Program II. Construction of permanent improvements	200.0	240.0	280.0	320.0	1,040.0
Proj. 1. Construction of permanent improvements	200.0	240.0	280.0	320.0	1,040.0
B. New Projects					
Central fishery experiment	-	200.0	200.0	200.0	600.0
Fishery investigation laboratories	-	300.0	200.0	200.0	700.0
Organization and development of fishery statistics	-	200.0	200.0	200.0	600.0
Experimental fish farms	-	150.0	-	100.0	250.0
GRAND TOTAL	6,193.4	7,654.6	8,015.6	8,727.3	30,590.9

Source of basic data: Philippine Fisheries Commission.

shown in Table VII.28.

The private sector will be encouraged to invest in commercial fishing vessels with financial assistance in the form of credit and such other institutional aids, such as providing them with vital information needed for effecting good catches which are the products of research, training of fishermen, improvement of marketing, extension service, licensing and taxation, etc., to be discussed in the latter part of this program.

Joint fishing ventures would be encouraged between foreign and local capital with the foreign counterpart to bring in the boats and gear and the local partner to provide the operating expenses.

b. Increasing the Output of the Municipal Fisheries and Sustenance Fishing The fisheries industry is dominated by the small-scale fishermen using rowed boats and sailboats or bancas in fishing. There is no statistics on the number of these boats but considering that their total catch form about 50 percent of the country's fish output and that their individual catch is small and does not go beyond 10 tons a year, their number must be very big.

Some rough estimates have placed the number of these boats from 20,000 to 30,000. Their continued intensive fishing operations in the same areas of the municipal waters and freshwater units have already depleted much of the resources of these fishing grounds.

The catch of the municipal fisheries and sustenance fishing will be accelerated during the program period by at least 4.0 percent. This will be achieved by mechanization of crafts and gear and improving the productivity of the water areas exploited.

1) Mechanization of fishing crafts and gear

Mechanization of the fishing boats will enable the fishermen to extend their operations on farther grounds that are not as yet been heavily fished and together with gear that could be mechanically operated in them, they can easily make good catches at a comparatively short time.

The Philippine Fisheries Commission should expand the demonstration work and extend technical aid to fishermen in mechanizing their fishing outfits.

To further encourage fishermen in mechanizing their boats and gear, they should be extended financial assistance for this purpose. The Development Bank of the Philippines has already started aiding these small-scale fishermen with a loan grant of ₱2,000 each. The loan grant should, however, be increased to as much as ₱5,000 to ₱10,000 depending on the ability of the individual to pay in view of the increasing costs of fishing equipment and supplies.

The proposed project[a] for the mechanization of small fishing crafts requested from the Freedom from Hunger Campaign which has been already approved by the United Nations and placed in the market for donors, should be followed up.

It should be possible to mechanize about 500 small boats a year at a unit cost of ₱6,000 or a total of ₱3.0 million. An estimated yearly additon of about 7,500 tons to the catch of municipal fisheries and sustenance fishing may be realized with this rate of mechanization as shown in Table VII.28.

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[a] Copy of this project is filed with the NEC and feelers have already been made by the Japanese Government.

2) *Improving the productivity of the fishing grounds* With the mechanization of fishing crafts and the extension of their range of operations to farther fishing grounds, their pressure on areas that have been heavily fished could be relaxed enabling the resources to rehabilitate themselves. In closed or partly closed areas like lakes, marshes, and bays, rehabilitation of resources could be enhanced by fish planting. The Philippine Fisheries Commission has launched a program of fish planting of depleted lakes which should be expanded. There are good indications that the productivity of depleted waters could be enhanced through massive fish stocking or fish planting with young fishes that may be reared in propagation and nursery ponds of the Fisheries Commission or salvaged from natural spawning ground [illegible]

Priority attention should be given to the following areas reported to be badly depleted: Paoay Lake, Ilocos Norte; Mangabol Lake, Pangasinan; Laguna de Bay, Laguna and Rizal;

Lake Taal, Batangas; Naujan Lake, Oriental Mindoro; Lakes Buhi, Bato, and Baao, Camarines Sur; and Lakes Mainit and Lanao in Mindanao.

The productivity of these waters as well as the coastal areas could also be improved by rigidly enforcing the fishery laws, rules and regulations now in force designed to protect the fishery resources from illegal fishing with the use of explosives, fish poisons, and fine-meshed nets. The Philippine Fisheries Commission should also intensify its drive to prevent water pollution in fishing areas.

It is estimated that the landings of the municipal fisheries and sustenance fishing could be increased by these productivity improvement measures by about 2.0 percent a year, or about 7,000 metric tons, to the output of municipal fisheries and sustenance fishing.

c. Increasing Production of Fishponds The production of fishponds would be accelerated by expanding the area and improving the yield of those that are already producing and developing the freshwater fish culture and the minor sea products industry.

1) Expansion of the fishpond The expansion of fishponds is hampered by the slow disposal of public swamplands and tidal flats for development. There are now thousands of applications for permits to develop these areas but could not be given due course for lack of certification by the Bureau of Forestry that they are disposable for fishpond purposes. Conflicts arising from overlapping applications had contributed to the slow disposition of these areas.

To expedite action on the disposal of public swamplands and foreshore areas for fishpond purposes, these areas should be segregated and delineated and placed under the administration of the Philippine Fisheries Commission. Approval of application for fishpond permits or leases should be expedited with the least delay. Fishpond cases involving conflicting claims should be decided with minimum loss of time.

The development of areas whose permits have already been approved should be done without delay. Permittees who have not developed their areas within the prescribed period allowed should have their permits revoked.

The Development Bank of the Philippines should consider increasing the loan value of fishponds from ₱1,000 to at least ₱2,000 under its Special Fishpond Financing Program in view of the rising cost of labor and materials.

For the expansion of fishponds, the goal is to develop 3,000 hectares every year at a cost of ₱6.0 million. With improved fishpond techniques, it is estimated that about 3,000 tons could be harvested every year on the new area added as shown in Table VII.23.

2) Improving the productivity of developed fishponds The present annual yield of bangus fishponds of about 500 kilograms a hectare is very low and needs improvement. In Taiwan, as much as 2,000 kilograms per hectare can be harvested owing to extensive use of fertilizers and improved management techniques.

Studies in fishpond fertilization in the Philippines have proved it possible to double

Table VII.28 - ESTIMATE OF ADDED PRIVATE INVESTMENT AND OUTPUT OF FISH 1967 - 1970

(In thousands)

Items	1967		1968		1969		1970		TOTAL	
	Investment	Production	Investment	Production	Investment	Production	Investment	Production	Investment	Production
Commercial fishing vessels	16,500	27,000	16,500	27,000	16,500	27,000	16,500	27,000	66,000	108,000
Tuna development[a]	5,000	3,000	5,000	3,000	5,000	3,000	5,000	3,000	20,000	12,000
Conversion of fishing boats[b]	3,500	15,000	3,500	15,000	3,500	15,000	3,500	15,000	14,000	60,000
Expansion of fishing vessels[c]	8,000	9,000	8,000	9,000	8,000	9,000	8,000	9,000	32,000	36,000
Municipal fisheries	3,000	7,500	3,000	7,500	3,000	7,500	3,000	7,500	12,000	30,000
Mechanization of small fishing outfits[d]	3,000	7,500	3,000	7,500	3,000	7,500	3,000	7,500	12,000	30,000
Fishponds	11,720	10,150	18,600	18,750	25,520	27,400	32,440	36,050	88,280	91,340
Development of new fishponds[e]	6,000	3,000	6,000	3,000	6,000	3,000	6,000	3,000	24,000	12,000
Fertilization[f]	5,720	7,150	12,600	15,750	19,520	24,400	26,440	33,050	64,280	79,340
TOTAL	31,220	44,650	38,100	53,250	45,020	61,900	51,940	70,550	166,280	229,340

a/ Launching of 10 tuna long-line boats a year at an average cost of ₱500,000 each and a catch of 300 tons/boat/year.

b/ Conversion of 25 boats a year for 4 years at an average cost of ₱140,000 each and a catch of 600 tons/boat/year.

c/ Expansion of vessels at the rate of 20 boats a year at an average cost of ₱450,000 each and a catch of 400 tons/boat/year.

d/ Mechanization of 500 small fishing outfits at an average of ₱6,000 each and a catch of 15 tons/boat/year.

e/ Development of new fishponds: 3,000 Ha. a year at ₱2,000/Ha. and with a yield of 1.0 ton/Ha./year.

f/ Fertilizing 14,300 Ha., 31,500 Ha., 48,000 Ha., and 66,100 Ha. in 1967, 1968, 1969, and 1970, respectively, at an average of ₱400 worth of fertilizers/Ha./year and increasing the yield from 0.5 tons to 1.0 ton/Ha./year.

or treble the present fishpond harvest. Taking the cue from these studies, a program of extensive fishpond fertilization patterned after the "Rice Crash Program" should be undertaken on a cooperative basis among the Philippine Fisheries Commission, the Commission on Agricultural Productivity, the Agricultural Credit Administration, the Bureaus of Soils and Agricultural Economics, and the Development Bank of the Philippines.

The goal of fishpond fertilization here envisioned is to cover at least one-tenth of the whole fishpond area every year and to move to other areas yearly, thereafter. Assuming that the area covered by the fishpond fertilization program would continue to be fertilized even after the program has been moved to other areas, some 50,000 to 60,000 hectares would be covered during the four-year program. This will involve an investment of about ₱62.2 million worth of fertilizers during the four-year period with an output of 80,000 tons of fish or 20,000 tons added yearly to the total fishpond output as shown in Table VII.28.

3) Development of freshwater culture and of minor sea products The freshwater fish culture has not yet been developed despite the presence of potential areas for this purpose. This includes freshwater marshes, natural ponds, and rice paddy fields. Our shallow seas are potential areas for the production of shrimps, seaweeds, oysters, and cultured pearls.

To make these areas productive, there should be established Freshwater Demonstration Fish Farms and Experiment Stations; three of these should be in Luzon and two in Mindanao which may be used as show windows in freshwater culture. Demonstration and experiment stations for the culture of oysters, cultured pearls, and other minor sea products should also be established: one each in Lingayen Gulf, Manila Bay, Southern Luzon, Eastern Visayas, Western Visayas, and Mindanao. These should undertake researches that will point to the most economical way of raising these sea products.

It is expected that studies which would be carried out would yield results that could pave the way for the development of fresh-water fish culture and minor sea product industries such as oysters, pearl culture, shrimps, and others.

Additional Legislative, Administrative, and Executive Devices Essential for Implementation of Fish Production and Development Program To insure continued progress in fish production and to improve public service to the industry, the following legislative, administrative, and executive measures should be carried out along with the incentive measures given above:

a. Strengthening the Administration of Fisheries The Philippine Fisheries Commission created under R.A. No. 3512, approved on March 20, 1963, is charged by law to administer the exploitation of the fishery resources. The Commission is still in the process of organization. The program of work includes the conservation and development of the fishery resources and the construction of permanent improvements. The budgetary projects include fishery management, fishery research and experimentation, fishery development, fish planting, general administration, and construction of permanent improvements. These projects provide services to the fishery industry and control and/or regulate the exploitation of the fishery resources.

The Commission is still in the process of organization and many positions in the staff have not yet been filled;

and that
/the construction of permanent improvements has hardly been started.

To function effectively, the Commission should be provided with funds to complete the organizational setup and to acquire badly needed equipment and other facilities to carry out its activities. The Budget Commission has allocated ₱5.99 million for current operating expenditures and ₱0.2 million for capital outlay for fiscal year 1966-1967. The appropriations of the Commission should be increased annually to eventually reach the amount of ₱14.0 million authorized in R. A. No. 3512.

b. Management and Conservation of Fishery Resources The proposed management and control of the exploitation of the fishery resources should be directed towards obtaining maximum sustained yield from these resources. These will require some control or regulatory measures that will enable the resources to replace whatever has been caught. These control and regulatory measures must be based on scientific inquiry and should be premised on the rational use of manpower and equipment to the best advantage in taking from the resources what they properly yield.

Protection of the fishery resources is one of the functions of management. There are laws that have been promulgated to protect the resources. These laws should be enforced rigidly with the "concerted efforts" of the

Philippine Fisheries Commission and other law enforcement agencies.

Additional funds to carry out the expanded activity is included in the overall appropriation of the Philippine Fisheries Commission as shown in Table VII.27.

c. Improved Credit Facilities for Fisheries Development. To provide the fisheries industry with needed capital, credit should be extended to it. The Development Bank has a Special Financing Program for fishpond development and small-scale fishing. For large-scale fishing operations, there is need for bigger financial aid. For this purpose, a Fisheries Guarantee Loan Fund of about ₱50 million should be set aside to guarantee loans of individuals, partnerships, and/or corporations. This fund may be administered through the Development Bank of the Philippines or through a Fisheries Bank established for the purpose.

d. Handling, Marketing, and Distribution of Fish. Fish passes to the consumer directly or through municipal and metropolitan markets either in the fresh state or after it has undergone some processing. Due to lack of marketing facilities, fish has to be disposed of as quickly as possible, for when it begins to spoil, it is sold at give-away prices.

To enable the fishermen to reap maximum benefit from their labor, the establishment of fish exchanges with marketing facilities including auction floor, fish cold storages and refrigeration plants, should be undertaken in centers of fishing activities. Priority should be given to establishing one in Manila. As a start, Pier 14 should be developed as the Manila Fish Exchange Center. The City of Manila is considering the establishment of same which should be encouraged.

Other fish exchange centers may be established: one each in Cebu, Iloilo, Zamboanga, and Davao, and Dagupan cities under the city governments, after project studies shall have shown justification for the establishment of such fish exchanges.

The establishment of these fish exchange centers should be initiated by the city governments and once established could be leased to the private sector which should administer the project.

Each fish exchange center would cost about P8.0 million including the installation of auction floor, fish cold storages and other fish processing facilities.

The offer of PROMOPECHE[a/] to the City of Manila to establish a turn-key Fish Exchange Center and other projects of individual fishing complex either on credit or

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[a/] A loaning financial institution in France which is willing to install and finance fish markets, piers and other projects of individual fishing complex.

loan of facilities at reasonable rates of interest on short and long term basis should be looked into.

The organization of fish marketing cooperatives should be undertaken by the Philippine Fisheries Commission and the Commission on Agricultural Productivity in centers of fishing activities which could be made the local distribution and assembly depot for central fish exchanges that should be located in metropolitan areas.

e. Fisheries Training Program There should be provided a continuing training program for the fisheries personnel and manpower in the industry including the holding of regular fieldmen's conference; seminars in various fisheries fields; in-service training programs; in cooperation with other agencies like the College of Fisheries, Bureau of Vocational Education, Development Bank of the Philippines, Commission on Agricultural Productivity, and the private sector.

The increase in the appropriations for these agencies would enable them to carry out these activities.

f. Fishery Research Programs, Surveys, and Investigations The Philippine Fisheries Commission should develop a continuing research program essential to the progress of fisheries development and conservation of the fisher~~y~~ies resources. These activities should be conducted along the following lines:

1) An intensive program of fisheries investigation of the biology of the commercial and dominant species of fish must be carried out to bring about information of the fish population and factors influencing their abundance, distribution, and availability. This information can be made the basis for the development and rational exploitation of our fisheries resources;

2) Intensive oceanographic and limnological investigation programs to obtain information on the physical, chemical, and biological properties of our waters and determine their productive potentials;

3) Research programs and studies to find means of improving techniques of fish culture, gear technology, fish technology, and fisheries economics as bases for developing and/or improving the fisheries industry;

4) Exploratory fishing surveys to determine the possibility of commercially exploiting the potentials of the fisheries resources; and

5) Surveys of swamplands to determine their suitability for fishpond purposes and their disposition for development.

The experiment stations and survey boats of the Philippine Fisheries Commission should be fully equipped to carry out the fisheries researches and investigations needed to accelerate the increase of fish production.

A Central Fisheries Experiment Station and at least three regional fisheries research investigation laboratories should be established: one in Northern Luzon, one in the Visayas, and another in Mindanao. This will involve an expenditure of about ₱2.0 million or about ₱500,000 a year which should be provided for in the appropriation of the Philippine Fisheries Commission.

The Research Division of the Commission should be strengthened with adequate facilities and competent staff to undertake the research program outlined above.

The Fisheries Research Institute authorized under R.A. No. 4514 entitled, "An Act to Establish an Institute of Fisheries Development and Research within the College of Fisheries of the University of the Philippines, to Provide for its Administration and Maintenance, and for Other Purposes," should be organized as soon as possible and the authorized fund of ₱2.0 million should be made available therefor.

g. Extension Service The extension arm of the Philippine Fisheries Commission should be strengthened and should be ready to extend the products of research on improved methods of fish production to the different fisher~~y~~ies operatives. This should work hand-in-hand with the Agricultural Productivity Commission which is proposed to be placed back under the Department of Agriculture and Natural Resources from the Land Authority.

The demonstration fishing boats, fishponds and fisher~~y~~ies stations of the Philippine Fisheries Commission which are used as show windows for improved fish production should be provided with the required facilities to carry out their work efficiently.

The funds for this purpose should be provided by increasing the budgetary outlay for this activity of the Fisheries Commission.

h. Fisher~~y~~ies Statistics, Planning, and Programming of Fisheries Development   The unit gathering, compiling, and collating fisher~~y~~ies statistics in the Fisheries Commission should be expanded. Sample surveys, census, and other means of gathering statistical data should be undertaken to have as much information as possible of the fisher~~y~~ies resources and the fisher~~y~~ies industry for use in biological and economic research. This will require an additional appropriation of about ₱600,000 during the program period or ₱150,000 a year.

There should be created a Planning and Programming Unit in the Fisheries Commission whose work should be the preparation of programs and projects to implement approved policies and to evaluate accomplishments.

This new unit will need an annual outlay of at least ₱100,000 which should be provided for the Fisheries Commission.

i. Licensing and Taxation There is a multiplicity of taxes levied on various forms of the fisheries industry. In operating commercial fishing boats, the Philippine Fisheries Commission collects various fees at various phases of operations beginning with the construction of the boat up to the landing of fish catches which often discourage people going into the industry.

Licensing and taxation in the fishing industry will have to be studied by tax experts for the purpose of simplifying tax collection and payment and determining the tax burden that will not be too heavy to discourage people in the industry and repel private capital to invest in fishing ventures.

j. Financial Requirement of the Program The total expenditure of the program during the four-year period (1967-1970) would be ₱194 million. Of this amount, about ₱30 million will be borne by the public sector, and ₱164 million would be spent by the private sector.

The public sector expenditures which are shown in Table VII.27 would consist of funding the on-going and new projects of the Philippine Fisheries Commission. The on-going projects are:

1) The management of the exploitation of the fisheries resources, including the licensing of boats and fishermen, issuing of permits to develop new fishponds, collection of fees and other taxes, protection of the fisheries resources, and enforcement of fisheries laws, rules, and regulations;
2) Conduct of researches and investigational surveys of the fisheries resources and the industry, including studies of the improved methods of fisheries utilization (fishing, fish culture, and fish preservation and processing), and marketing of fish;
3) Fisheries development consisting mainly of the promotion of improved methods of fisheries utilization, including demonstrations, training of the manpower of the industry in the manipulative skill of fishing, extension service, and establishment and/or maintenance of demonstration fish farms, fishing boats, and fish processing plants and cold storage facilities;
4) Fish planting for the rehabilitation of depleted fisheries resources and improvement of their productivity;

5) The administrative support, including budgeting, keeping of records, providing administrative services, and others; and

6) Construction of permanent improvements.

The new projects are:

1) Establishment of Central Fisher/ies Experiment Stations, Investigation Laboratories, Experimental Fish Farms, and

2) Organization and Development of Fisher/ies Statistics.

The private sector expenditure which is shown in Table VII.28 involves expenses for the acquisition of boats and gear, and the conversion and/or mechanization of boats and fishing outfits for better fishing; the development of new fishponds areas and improvement of the productivity of those that are already developed through fishpond fertilization; and the establishment of fish exchange centers. It is estimated that a total of 229,340 metric tons of fish would be produced out of a total investment of ₱166.3 million during the four-year period of the program.

4. Forestry Development Program The general objective of the forestry development program is to rationally exploit the forestry resources with the use of proper management techniques to yield a sustained maximum output.

The specific objectives are the protection of forests from unwarranted destruction, conservation of existing forests, and reforestation of denuded forest areas.

a. Forest Protection   Forests have continually been destroyed through illegal kaingin-making and destructive logging. It is estimated that around 50,000 hectares are laid waste every year. Even national parks and forest reserves from which the cutting of trees is prohibited, are not spared from destruction. The prosecution of "kaingineros" and the elimination of irresponsible logging operators have bogged down due to political coddling and to an indifferent public opinion.

The setup of an effective forest protection system suffered greatly from lack of funds. In 1965, there were only 756 forest guards who kept watch over 12.9 million hectares of the forest area or about 17,000 hectares per guard.

In order to protect the forests from forest law violators, more particularly the "kaingineros" and illegal loggers, the following measures should be undertaken:

1) The Bureau of Forestry should be given enough funds to build up a force of forest guards to

keep watch over forest areas and enforce strictly forest laws. About 1,750 forest guards may be added to the present force.

2) There should be established a working arrangement between the Bureau of Forestry and the provincial unit of the Philippine Constabulary to patrol forest areas and highways to apprehend forest law violators.

3) There should be established a working arrangement between the Bureau of Forestry, the provincial fiscals, and the courts for speedy prosecution of forestry law violators and speedy trial of forestry cases.

4) The Bureau of Forestry should enlist the cooperation of concessioners and other private individuals in tracking down forestry violators. Awards may be given to informers leading to conviction of the violators.

5) There should be developed a forest information campaign participated in by the Department of Agriculture and Natural Resources and its instrumentalities to make the people appreciate the value of protecting the forests.

b. Forest Conservation The conservation of the remaining forests is a far-cry in view of the fast dwindling forest lands. Sound forestry management demands that the timber drain should be within the capacity of the forest to replenish. Considering the length of time needed to replace cut timber, which takes thirty years or more, judicious exploitation should be strictly observed.

During the last ten years, the rate of reduction in the timber stand has been in the vicinity of 2.5 billion to 3.0 billion board feet. This drain is beyond the capacity of the forests to sustain. Yet there is no respite to the granting of new timber licenses and the increasing rate of cutting. As of the end of June, 1965, there were in force 30 license agreements, and 381 ordinary timber licenses covering an aggregate area of 4.44 million hectares and with a total allowable cut of 6.1 million cubic meters.

While there appears to be a limit in the timber to be felled, yet the timber drain has been beyond what is allowed to be removed. The forest concessioners holding licenses of short duration (from one to three years) for fear that their licenses may not be renewed, had to cut timber as much as they can from their concessions. Besides, the attractive prices of logs in the export trade are inducements to holders of permits to overcut their areas. The lack of forest guards to look into and supervise the cutting of trees have aggravated the fast drain of timber in the forest concessions.

The small forest charges on timber and the tax-free export of logs make the logging operation a lucrative business. This is the principal reason for the big drain in the timber stand of the forests and for the concessioners to disregard forest conservation practices.

Forest conservation is greatly handicapped by lack of sufficient technical knowledge to place the exploitation of the forests on sustained yield management and at the same time obtaining from them the maximum output. The Bureau of Forestry has started a project entitled "Demonstration and Training in Forest, Forest Range and Watershed Management" assisted under the United Nations Special Fund. The objectives of the project, among others, are to improve growth and species composition of logged over areas, as well as the virgin forests, through better technical knowledge and training which will result in faster growth of trees, better timber grades, and economy in forest operations, in order to meet the integrated industries to be harmonized with watershed uses and harvesting of wood. It is hoped that this project would pave the way and place the management of the forestry resources on scientific basis.

The forest inventory project with assistance from the U.S. Agency for International Development (AID) has just been completed. Analysis of the data will be very useful in the formulation of management programs for the conservation of forests.

Notwithstanding the present lack of technical knowledge on which to base sound management plans, the following measures are recommended to conserve the remaining forests:

1) Long-term concessions of from 20 to 25 years should be granted instead of from 1 to 3 years as currently practiced.

This will erase the fear of concessioners of not having their license renewed, thus, inducing them to exploit judiciously the area granted them.

2) The imposition of a 10 percent export tax (ad valorem) and increasing the forest charges by 200 percent. These will reduce the profitability of log exports such that inefficient and uneconomical log operators would be forced out of business and give up their concessions putting respite on these areas.

3) Exportation of logs should be gradually reduced to at least 10 percent yearly from the exports in 1965, to last for ten (10) years, starting in 1967, and the exportation on this reduced basis should be on a quota system to be administered by the Bureau of Forestry.

4) A moratorium on granting of new concessions for at least 10 years or until studies have shown that new areas could be opened up.

5) Delimitation of lands which are to be established as permanent forests should be accelerated.

6) Strict enforcement of the selective logging regulation in permanent forest zones and peg allowable cut to 2.6 billion board feet as of 1965.

7) Expansion of wood using industries to absorb locally cut timber that cannot be exported. There are as of June 30, 1965, 226 sawmills (107 of which have timber

concessions and 159 without) with a daily capacity of 3,251,000 board feet; 21 plywood mills with a daily capacity of 3,220,700 square feet; and 10 veneer mills with a daily capacity of 2,543,000 square feet.

c. Reforestation As of June 30, 1965, the country has lost 5.5 million hectares of forests, 1.5 million hectares of which are considered critical and require immediate reforestation. Present reforestation, however, is not coping up with deforestation. Since its establishment, the Reforestation Administration has been able to reforest only a small area: 12,044 hectares in 1961; 14,092 hectares in 1962; 35,423 hectares in 1963; 28,466 hectares in 1964; and 26,141 hectares in 1965 or a total of 116,766 hectares in five years. Even with the highest rate of reforestation of 35,000 hectares in 1963, it will take more than 150 years to cover the 5.5 million hectares of forest land that had already been denuded.

The goal of the public reforestation program is to cover 209,500 hectares of the "critical" watershed areas during the four-year period at a cost of ₱70,995,640. The year-by-year coverage and cost of reforestation is given as follows:

Reforestation Schedule

Year	Area to be reforested (hectares)	Estimated cost (pesos)
1967	29,500	8,836,640
1968	60,000	20,719,000
1969	60,000	20,719,000
1970	60,000	20,719,000
Total	209.500	70.995.640

To attain these goals the Reforestation Administration should be provided with the necessary funds.

The Bureau of Forestry had laid down regulations requiring forest concessionaires to undertake reforestation work by planting logged over areas. These should be enforced rigidly to replace the trees that have been cut to augment the reforestation work of the government and to prevent further losses of forests through denudation.

Efforts should be exerted to relocate farmer-kaingineros and landseekers in alienable lands or in resettlement projects. These should be a joint undertaking of the Bureau of Forestry, the Land Authority, and the Social Welfare Administration.

d. Administrative, Executive and Legislative Measures

To attain the objectives of the forestry development program, it should be supported by institutional measures, including strengthening of the administrative control of forest resources, extension service, research, educational information, and taxation.

1) The Bureau of Forestry, the Reforestation Administration, and the Parks and Wildlife Office should be fused into one office in the Forestry Commission so as to attain maximum coordination of all matters affecting forest management and enforcement of forestry laws for the better protection and conservation of our forests.

2) The implementation of the law creating permanent forests should be accelerated before the forests sought to be established are lost.

3) Forestry research should be expanded to cover studies on forest protection, conservation, reforestation and more particularly on finding new uses of our timber and other forest products.

4) A forestry extension service should be created under the proposed Forestry Commission and an intensive campaign should be waged to arouse public consciousness to the need of protecting and conserving our forests.

5) A law should be enacted by Congress imposing a 10 percent tax (ad valorem) on all export of logs and increasing forest charges on timber cut.

6) The policy of not granting timber licenses and concessions to applicants without established plants for processing timber into lumber, veneer and/or plywood should be enforced to the letter.

7) An executive order or, better yet, a law must be enacted providing for the gradual reduction of log export by 10 to 15 percent every year based on the export of logs in 1965, the law to take effect beginning 1967.

8) An Act prohibiting or limiting the further issuance of timber licenses pending the completion of a forest inventory must be enacted.

e. Estimated Investments of the Private Sector The National Investment and Development Corporation estimates place the financial requirement of the wood industry as follows:

	Total Amount required	Dollar portion	Period of Development
Six (6) integrated wood processing plants	₱ 53,348,760	$ 8,118,870	3 years
Logging equipment	10,721,145	2,680,206	2 years
Refinancing	18,863,510	—	1 year
Three (3) 12,000 DWT cargo carriers	20,160,000	5,040,000	2 years
Total	₱103,093,416	$15,839,570	

On a 50-50 equity-debt credit policy and with the adoption of suggested incentives, however, it is estimated that the private sector is capable of investing ₱12,000,000 a year, of which the dollar portion is $1,500,000.

For the 4-year period, the estimated peso and dollar investments of the private sector are as follows:

	Peso portion	Dollar portion	Total (₱)
FY 1967	₱ 6 million	$1.5 million	₱12 million
FY 1968	6 million	1.5 million	12 million
FY 1969	6 million	1.5 million	12 million
FY 1970	6 million	1.5 million	12 million
Total	₱24 million	$6.0 million	₱48 million

f. Estimated Yearly Appropriations for Forestry Agencies

With the planned program of accelerating reforestation to a rate of 60,000 hectares a year and of increasing the present number of forest guards by 1,750, the required appropriations for the different forestry agencies are as follows:

Agency	FY 1967	FY 1968	FY 1969	FY 1970	TOTAL
			(In millions)		
Bureau of Forestry	₱11.2	₱18.0	₱18.0	₱18.0	₱65.2
Reforestation Administration	8.6	20.7	20.7	20.7	70.7
Parks and Wildlife Office	1.0	1.0	1.0	1.0	4.0
Total	₱20.8	₱39.7	₱39.7	₱39.7	₱139.9

Technical and Economic Assistance for Agricultural Development. Technical assistance on a bilateral basis or through the U.N. Development Program will continue to be useful in certain areas of agricultural development. As a general principle, the government should welcome technical assistance in areas where the country does not as yet possess the expert knowledge in a sufficiently high degree that is required for development.

At present technical assistance is being extended under the U.N. Development Program (UN Special Fund) for the development of deep-sea fisheries, soil fertility, and watershed management; also under the U.N. Development Program (EPTA) technical assistance is given in citrus research, in animal production, applied nutrition and plant production and protection, particularly coconut. The United States Government extends assistance in the promotion of agricultural productivity including the fields of farm management, extension and agricultural credit. Under consideration is a proposal for the training of technicians at the Central Luzon State University to meet the staff requirements of the land reform program. In addition, AID extends assistance to water resources development studies. At present, studies of Upper Pampanga (Pantabangan River Basis Project) and the Central Luzon-Cagayan Valley Project have been completed. Also under study is the Balog-balog River Basin in Tarlac and the Tayum River Basin Project, downstream of the Binga Project. Similar studies will be made for the Cotabato River in

Mindanao, Ilog-Hilabangon in Negros, Agno and Agusan Rivers. Preliminary studies of other river basin projects will be undertaken.

Under the present four-year program of agricultural development, it is proposed that opportunity for technical assistance be considered for the following:

1) Continuation of cadang-cadang research project on a team of experts (inter-disciplinary) approach;
2) Integrated research program for agricultural and industrial development of coconut;
3) General livestock improvement;
4) Development of fiber industry;
5) Research for expanding soybean production;
6) Promotion and development of fruit industry particularly banana;
7) Marketing of agricultural products; and
8) Establishment of a post-graduate study course in forestry at the U.P. College of Forestry to intensify training of faculty and research staff.

Financial assistance should be recommended in the development of fishery on the basis of the studies now being undertaken by the U.N. for the mechanization of fishing craft for offshore fishing.

In view of the scarcity of foreign exchange resources for development, it is decidedly advantageous to avail of the opportunities for external assistance in the development of deficient areas of Philippine agriculture.

THE RICE SITUATION

For a proper evaluation of the real status of the rice production, supply and demand in the country, a review of the record of the past 10 years has been made, which are summarized in the attached tables and charts.

Table I shows area planted to rice in hectares from 1956 to 1965 inclusive, together with the total yield in thousand metric tons of palay over the same years and the corresponding yields per hectare. The same data is shown in Chart I. From these data the following conclusions are deduced:

1. The area planted to palay increased from 1956 to 1959, and then dropped after that and apparently more or less stabilized at 3,200,000 hectares.

2. The annual production of palay increased correspondingly but again tended to stabilize during the past four years at about 3,900,000 metric tons a year.

3. Accordingly, the yield per hectare rose from about 25 cavans per hectare in 1958 and tended to stabilize at about 28.4 cavans per hectare over the past four years.

These data dramatize the apparent futility of the efforts toward increasing rice production during the past four years, not only in increasing rice acreage but also in increasing the yield per hectare, which is the reason for the more or less stationary condition of local production of this cereal.

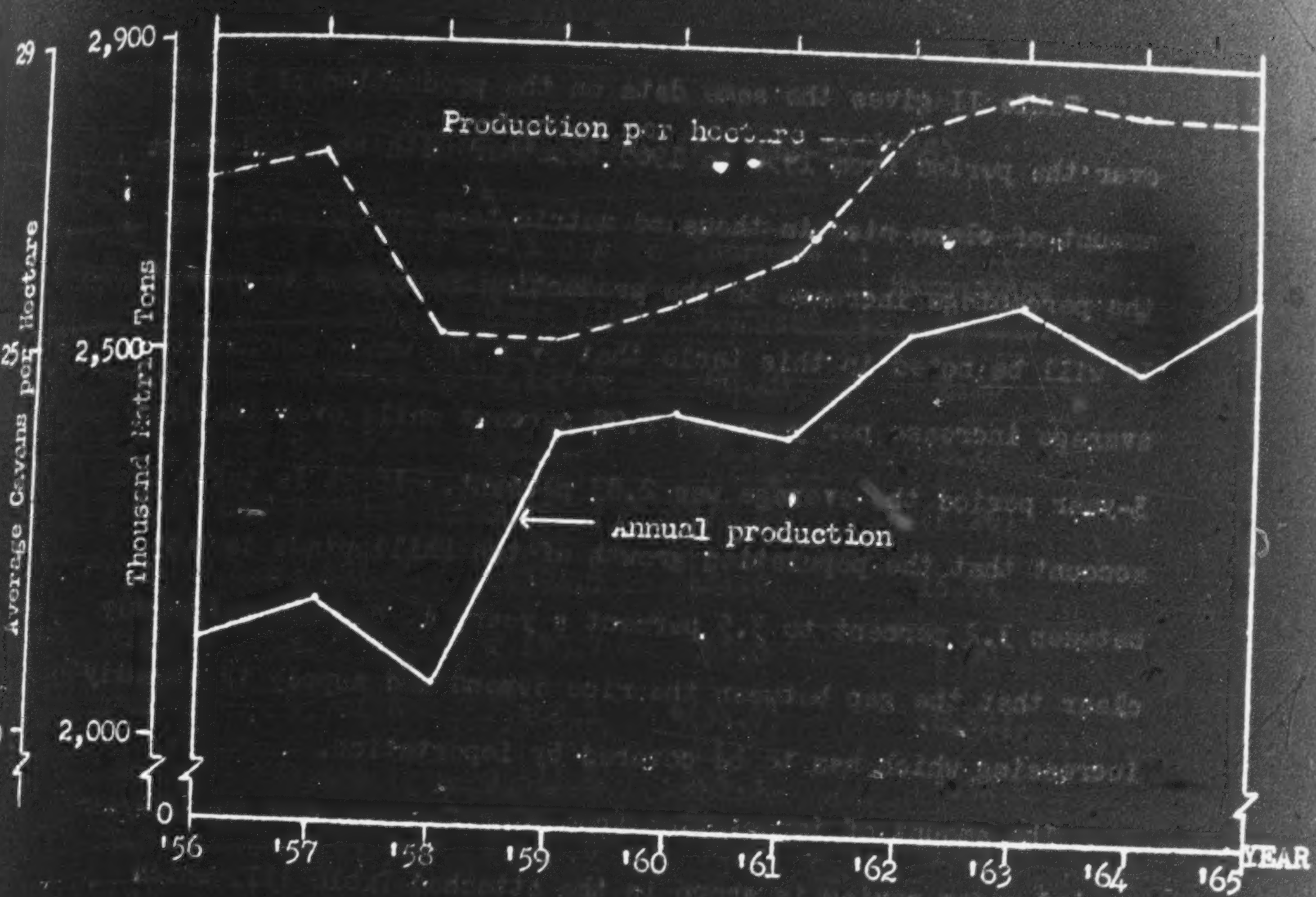
Table I - PALAY (ROUGH RICE): AREA HARVESTED, TOTAL YIELD, AND AVERAGE PRODUCTION PER HECTARE: 1956-1965

Year	Total area harvested (1000 ha.)	Total yield (1000 m.t.)	Average production per ha.	
			(m. t.)	(Sacks-44 kg)
1956	2,742.5	3,273.3	1.194	27.1
1957	2,768.1	3,345.9	1.209	27.5
1958	3,154.1	3,203.5	1.107	25.2
1959	3,329.4	3,684.5	1.107	25.2
1960	3,306.5	3,739.5	1.131	25.7
1961	3,197.8	3,704.8	1.159	26.3
1962	3,179.2	3,910.1	1.230	28.0
1963	3,161.3	3,967.0	1.255	28.5
1964	3,087.5	3,842.9	1.246	28.3
1965	3,199.7	3,992.5	1.248	28.4
Total	31,126.1	36,664.4	11.795	268.1
Average			1.179	26.8

Source of basic data: Bureau of Agricultural Economics, DANR

CHART I

RICE PRODUCTION, 1956-1965
(Clean Rice)



PALAY: AREA HARVESTED, 1956-1965

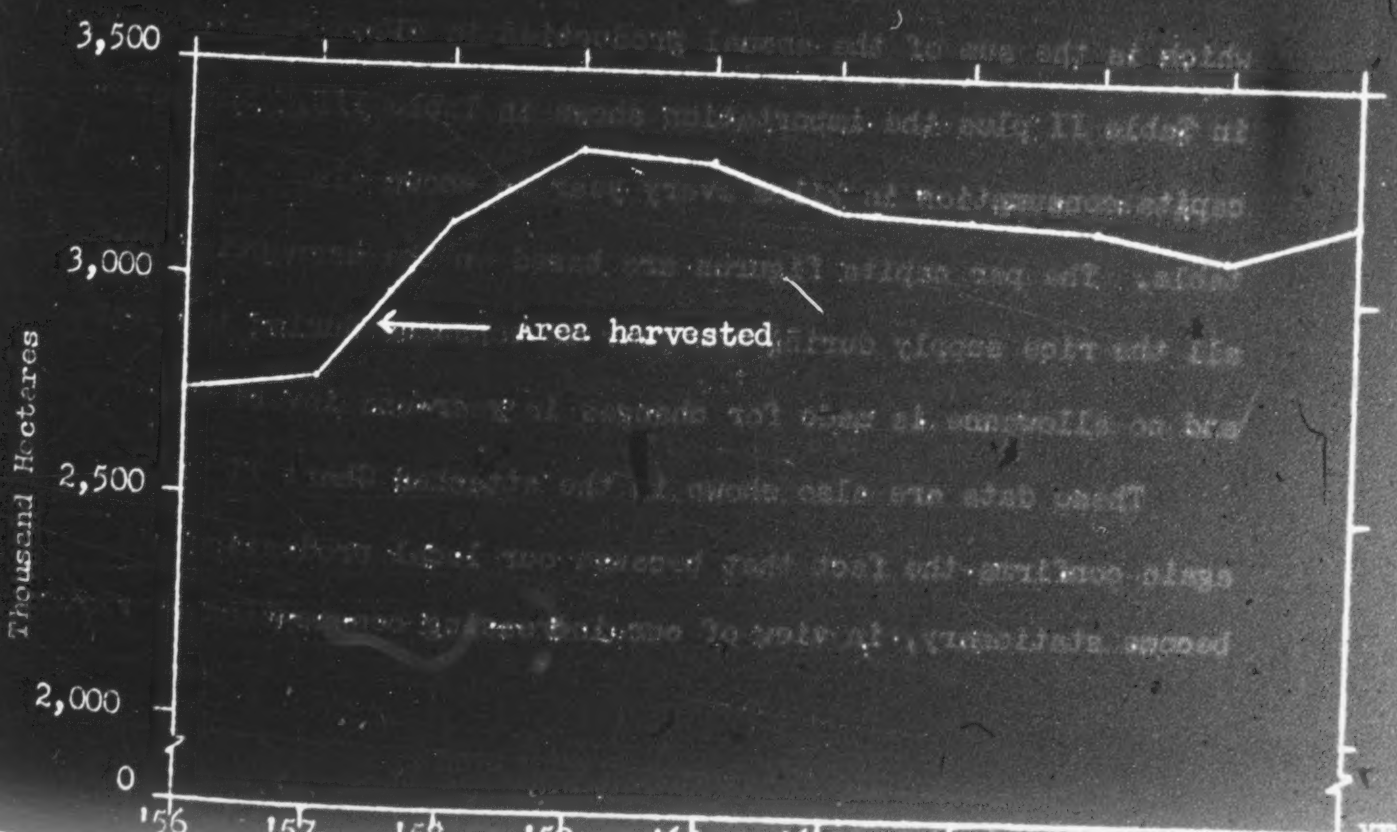


Table II gives the same data on the production of palay over the period from 1956 to 1965 together with the equivalent amount of clean rice in thousand metric tons every year, and the percentage increase in the production from year to year. It will be noted in this table that over the whole period the average increase per year was 2.98 percent while over the last 3-year period the average was 2.83 percent. If it is taken into account that the population growth of the Philippines is now between 3.2 percent to 3.5 percent a year, it becomes poignantly clear that the gap between the rice demand and supply is steadily increasing which has to be covered by importation.

The amount of importation from year to year over the 10-year period under review is shown in the attached Table III, which shows the quantity of rice imported in metric tons of clean rice. The next Table IV shows the population every year together with the total rice supply in thousand metric tons of clean rice, which is the sum of the annual production in clean rice as shown in Table II plus the importation shown in Table III. The per capita consumption in kilos every year is shown also in this table. The per capita figures are based on the assumption that all the rice supply during the year is consumed during the year and no allowance is made for changes in year-end inventory.

These data are also shown in the attached Chart II which again confirms the fact that because our local production had become stationary, in view of our increasing consumption of rice

Table II - PRODUCTION OF RICE: (FY 1956-FY 1966)

Crop year	Production (1,000 metric tons) Palay	Production (1,000 metric tons) Clean rice	Increase or decrease	Percentage
1956	3,273.3	2,127.6	70.40	2.20
1957	3,345.9	2,174.8	72.6	2.22
1958	3,203.9	2,082.3	(142.4)	(4.26)
1959	3,684.5	2,394.9	481.0	15.01
1960	3,739.5	2,430.7	55.0	1.50
1961	3,704.8	2,408.1	(34.7)	(0.93)
1962	3,910.1	2,541.6	205.3	5.54
1963	3,967.0	2,578.8	56.9	1.46
1964	3,842.9	2,497.9	124.1	3.13
1965	3,992.5	2,595.1	149.6	3.89

Clean rice was obtained on the basis of 65% recovery by weight.

Source of basic data: ibid.

Table III. - IMPORTATION OF RICE: 1956 - 1965

CY Year	Quantity (m.t.)	Value (₱)
1956	42,401	6,975,632
1957	77,964	14,013,558
1958	230,669	41,494,184
1959	6,502	1,718,200
1960	-	-
1961	186,380	22,385,372.91[a]
1962	-	-
1963	256,000	27,495,410[b]
1964	298,859	135,200,274
1965	569,275[c]	

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[a] Total value of NAMARCO importation in dollars.
[b] Total value of ARMY importation in dollars.
[c] From RCA. Final report not yet available.

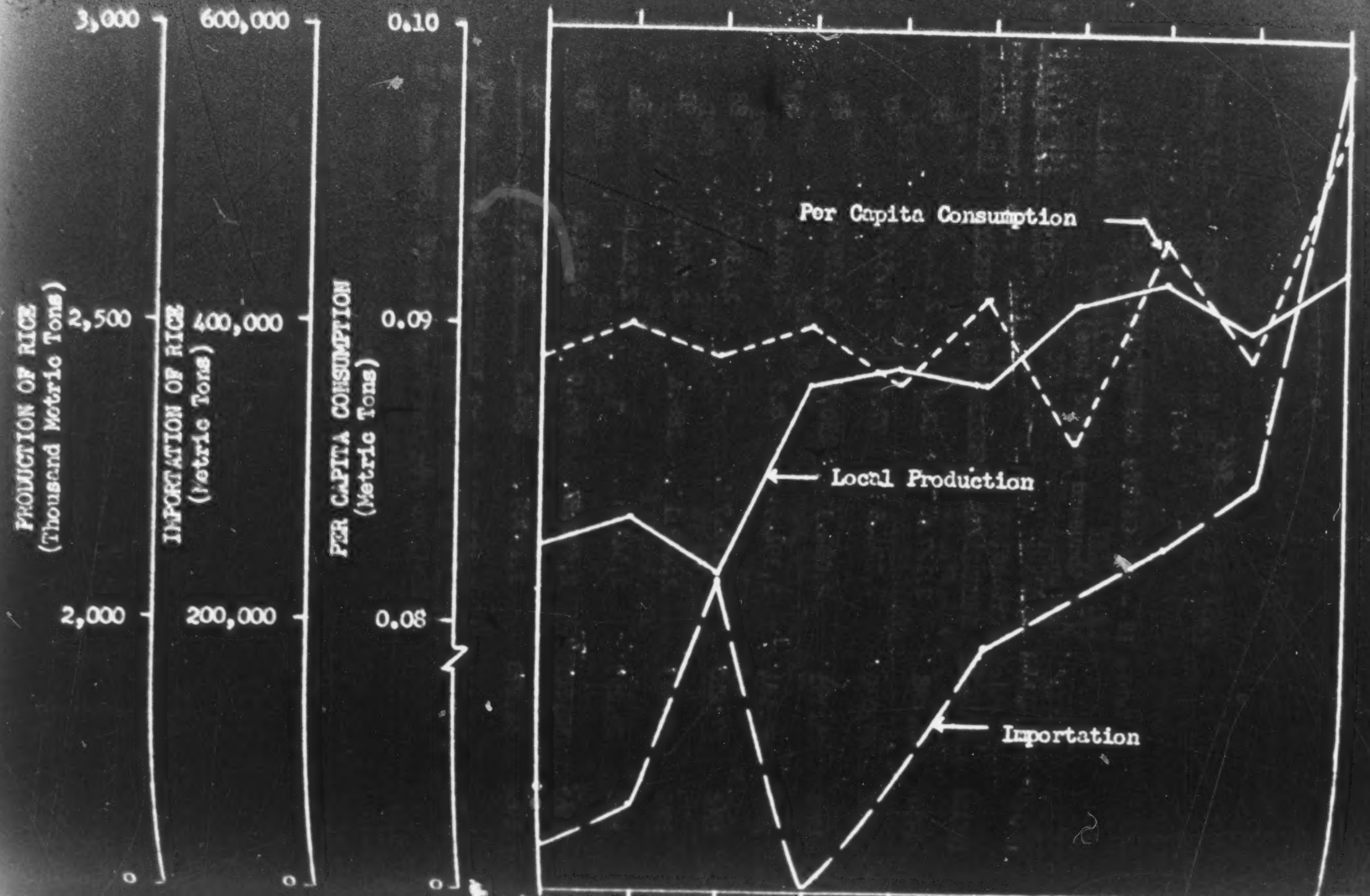
Table IV - PER CAPITA CONSUMPTION OF RICE

(In thousand metric tons)

Period	Population (In 1000)	Local production	Importation	Total rice supply	Per capita consumption (in kilos)
1956	24,288	2,127.6	42.4	2,170.0	89
1957	25,030	2,174.8	77.9	2,252.7	90
1958	25,795	2,082.3	230.7	2,313.0	89
1959	26,584	2,394.9	6.5	2,401.4	90
1960	27,410	2,430.7	-	2,430.7	88
1961	28,313	2,408.1	186.4	2,594.5	91
1962	29,257	2,541.6	-	2,541.6	86
1963	30,241	2,578.8	256.0	2,834.6	93
1964	31,270	2,497.9	298.9	2,796.8	89
1965	32,345	2,595.1	569.3	3,164.4	97

CHART II

LOCAL PRODUCTION, IMPORTATION AND PER CAPITA CONSUMPTION OF RICE, 1956-1965



due to the growth in population, importation had to be resorted to even only to maintain our present level of per capita consumption which is still below sufficiency level.

Clearly very bold measures are necessary in order to break the status quo in our system of rice production not only to attain an annual increase in production equivalent to our increase in population but to narrow the gap as of today between the demand and the supply. If we are to aim towards self-sufficiency in four years, we will have to set a target of an increase in production annually of at least 6.3 percent which is very high compared to the average increase of 2.83 percent over the last three years.

It is generally agreed that irrigation and fertilization are very potent factors for increasing the yield per hectare, and hence the total production. A cursory review was, therefore, made as to the extent the development of irrigation and fertilization activities over the past years might have affected our performance with respect to rice production. The attached Table V shows the areas served by irrigation, both by gravity and pumping, during the years under review. These data are also plotted in Chart III.

It will be seen that while there has been considerable increase in the irrigated acreage in the early part of the last decade this also levelled off during the past four years. It is even alleged that the irrigated area was actually reduced

Table V. - IRRIGABLE AREAS UNDER NATIONAL GRAVITY PUMP IRRIGATION SYSTEMS

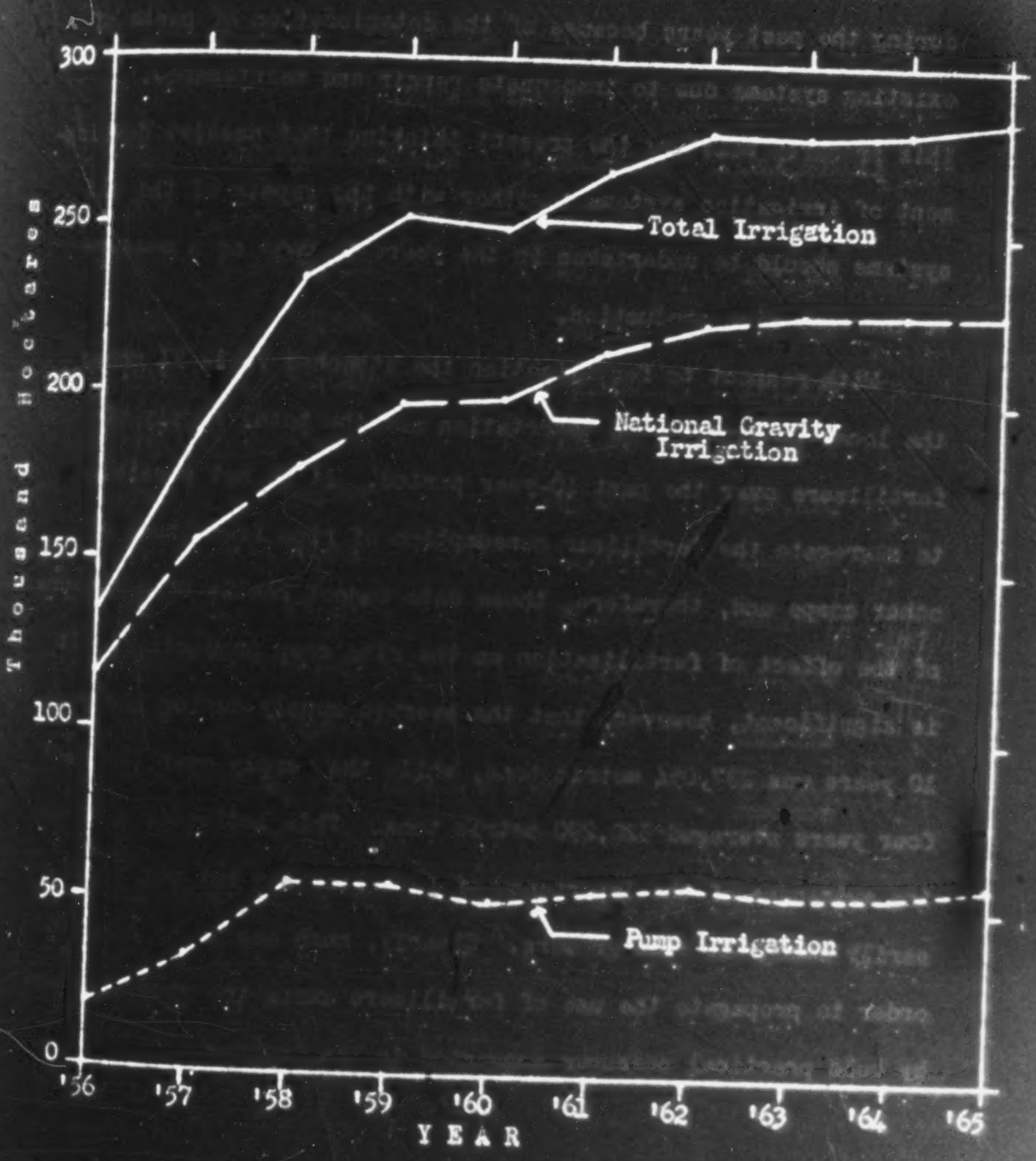
(In hectares)

	National gravity	Pump Irrigation	Total[1]
1956	116,478	17,555	134,033
1957	155,583	33,166	188,749
1958	179,477	55,902	253,379
1959	197,261	55,902	253,163
1960	198,548	50,212	248,760
1961	214,280	53,156	267,436
1962	222,773	56,265	279,038
1963	225,073	52,667	278,640
1964	226,098	53,761	279,958
1965	226,498	56,780	284,278

1/ Does not include irrigated areas under other systems which in 1965 amounted to 476,740 has. for communal irrigation, 24,600 has. for Friar Lands Irrigation, and 3,500 has. for municipal irrigation, breakdown of which in previous years are not available due to current strike at the NIA.

CHART III

BREAKDOWN OF IRRIGABLE AREAS, 1956-1965



during the past years because of the deterioration of parts of existing systems due to inadequate repair and maintenance. This probably bolsters the present thinking that massive development of irrigation systems together with the repair of the old systems should be undertaken in the years to come as a measure to increase rice production.

With respect to fertilization the attached Table VI shows the local production and importation and the total supply of fertilizers over the past 10-year period. It is not possible to segregate the fertilizer consumption of rice from those of other crops and, therefore, these data cannot really be a measure of the effect of fertilization on the rice crop production. It is significant, however, that the average supply during the past 10 years was 237,054 metric tons, while the supply over the past four years averaged 320,290 metric tons. This indicates a growing awareness of the importance of fertilization but not necessarily among the rice growers. Clearly, much has to be done in order to propagate the use of fertilizers among the rice planters by bold practical measures suggested in the program.

Table VI - FERTILIZER SUPPLY, 1956-1965

(Metric tons)

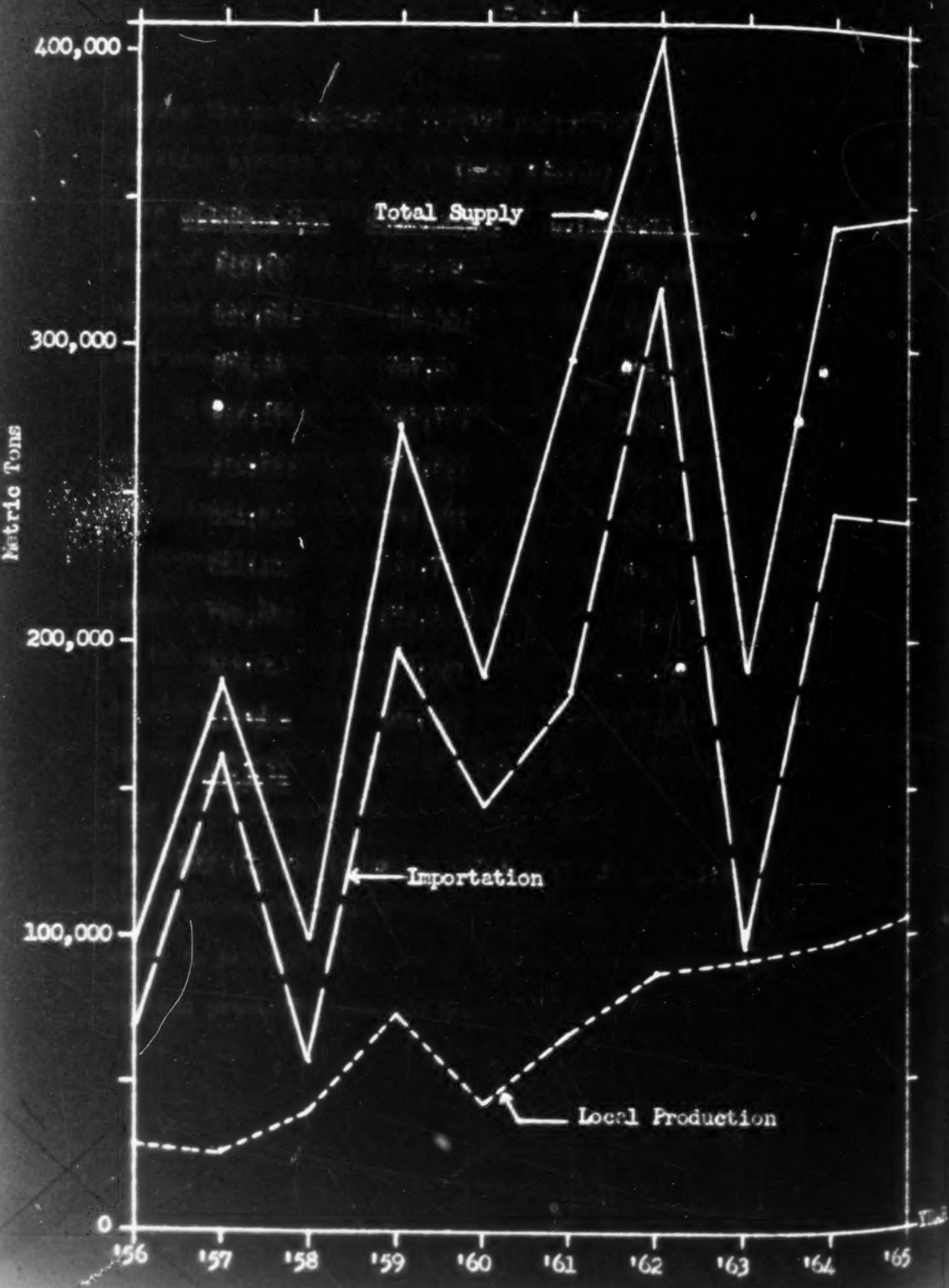
Year	Local production	Importation	Total supply
1956	29,234	68,605	97,839
1957	26,411	160,937	187,348
1958	39,889	56,787	96,676
1959	74,080	197,759	271,839
1960	43,446	143,788	187.234
1961	66,755	181,665	248,420
1962	86,870	317,579	404,449
1963	93,303	95,674	188,977
1964	96,601	244,233	340,834
1965	104,521	242,402	346,923
		Average	237,054

Data compiled by the Industrial Resourçes Branch, NEC

CHART IV

FERTILIZER SUPPLY, 1956-1965

(Metric Tons)



Chapter VIII

INDUSTRIAL AND MINING DEVELOPMENT PROGRAM

The proposed four-year plan in manufacturing and mining considers the current economic situation and problems, and estimates the probable gains that these two sectors could contribute to a rising level of output, income, and employment. It recognizes that investment is a prime mover of development and that its lack hampers growth. While it stresses the development of industries oriented to the processing of domestic raw materials and at the same time encourages the diversification of exports, it gives due attention, too, to the expansion of industries producing essential import substitutes.

The plan is drawn with the awareness that the shortage of investment funds to meet the short-term requirements of industry is as important as funds to meet their long-term needs as land, buildings, and machinery. To a certain extent, the lack of short-term loans to cover overhead and/or operating expenses has been responsible for the fall in the actual output of some existing industries, accounting for the present-to some extent of idle capacity. Positive measures to remedy this problem are suggested.

Emphasis has been laid down more on the production of raw materials such as primary metals and metal products, and basic chemicals from the country's indigenous resources to meet the increasing intermediate demands of end-product industries. Similarly, it puts considerable stress on industries that will subject agricultural raw materials and forest products to higher levels of processing and thus diversify production both for the home and the export markets. This will embrace among others such industries as food manufacturing and processing of wood into lumber, veneer, plywood and pulp. To provide a solid base for industry, the plan likewise gives due attention to the promotion and encouragement of small-scale and cottage industries. This will have the effect of augmenting the low income that the agricultural workers receive from their farms and consequently raise their levels of living. The program recommends priority in the allocation of scarce capital to the preferred areas of investment.

By and large, the manufacturing and mining program is a private enterprise development program with the government providing only assistance in terms of development and production credit, tariff protection and such other measures conducive to rapid industrial development.

The capital requirement calls for an amount of ₱645.2 million for 1967, ₱747.8 million for 1968, ₱909.0 million for 1969, and ₱1009.8 million for 1970.

The program is expected to increase output by putting into use idle capacity of existing industries that show potential viability through the simple expedient of financial assistance[a/] to expand the durable manufactured goods sector; to diversify export production, and to harmonize the activities among manufacturing, mining, agriculture, and the exploitation of other natural resources.

It also envisions proper public management necessary to improve the present set-up and minimize undue "red tape" which discourages private entrepreneural decisions and actions.

Should the plan be implemented as proposed, the total contribution to national income that the two sectors of manufacturing and mining would generate has been estimated at ₱2,948.0 million in 1967, ₱3,153.0 million in 1968, ₱3,364.0 million in 1969 and ₱3,600.0 million in 1970. This will mean an increase of 6.95 percent in 1968 over 1967; 6.69 percent in 1969; 7.02 percent in 1970 or an annual average of 6.88 percent.

The plan is deemed practical and feasible to undertake considering the resource availability and capabilities. The plan, however, can acquire meaning only if the policies and measures it embodies and recommends are sanctioned by Congress and implemented by the Executive Branch of the government.

[a/] It is recognized that the increase in the cost of production resulting from decontrol has increased the need for operating capital and that firms whose capital structure is burdened with debts are the ones mostly meeting financial difficulties.

Manufacturing

1. The Current Situation The shift in the structure of the economy which has initially taken place early in 1951 and which moderately gained momentum to 1959 continued with vigor during the period 1960 to 1962. This is evident in the expansion of industries dotting the countryside as well as the quantity of domestically manufactured consumers goods that can be seen in the local market. The directed shift in expenditures from imports to domestic manufactures influenced by controls, up to 1961, greatly influenced investment in manufacturing and mining.

During the period 1962-1965, industry was subjected to severe repressive conditions. The growth during this period was mostly accounted for by foreign investments which were encouraged by the government.

The index of manufacturing production rose sharply from 100.00 in 1960 (1960 = 100) to 132.8 in 1965, the increase averaging approximately 5.8 percent annually.

2. Contribution to National Income The contribution of the manufacturing sector to national income was 15.8 percent in 1960. This increased slightly to 15.9 percent in 1961, 17.0 percent in 1962, 17.4 percent in 1963 and went up further to 18.1 percent in 1964. In absolute values (at constant 1960 prices) manufacturing contributed ₱1.75 billion pesos in 1960, ₱1.60 billion in 1961, ₱1.93 billion in 1962, ₱2.02 billion in 1963 and ₱2.22 billion in 1964. The annual rate of growth of the manufacturing sector for the four year period ending 1964 averaged 6.4 percent.

3. Employment In contrast with the production gains in manufacturing, the employment indices (1960 = 100) of manufacturing establishments moved upwards but only moderately from 100.0 in 1960 to 101.5 in 1961 and to 103.0 in 1962. In 1963, 1964 and 1965 these rose to 105.2, 106.9 and 110.2 respectively, indicating an increase of 2.1 percent in 1963, 1.7 percent in 1964 and 3 percent in 1965. On the basis of specific industrial sectors, however, notable increases in employment were observed in 1965, compared to 1960, e.g. in the beverage industry, (30 percent); non-metallic mineral products (17 percent); food manufactures (16 percent); tobacco (14.5 percent) and chemical products (12 percent). In spite of these increases in employment, however, in general, the development of the manufacturing industry did not contribute its share in affording employment opportunities to the new entrants into the labor force.

4. Investment Investment outlays during the period 1960 - 1964 showed increasing trends. In 1960 gross fixed investments in manufacturing amounted to ₱265 million; this increased to ₱506 million in 1961 or by 90.9 percent and to ₱527 million in 1962 or by 4.2 percent compared to the previous year. It fell in 1963 to ₱474 million (10.1 percent) but rallied in 1964 to a peak level of ₱650 million, an increase of nearly 40 percent over the 1963 figure.

Banner year for manufacturing investment came in 1961 when of total gross fixed investment, 29 percent was accounted for by this growing sector. The following year 1962, 27 percent of total gross fixed investment went to manufacturing and in 1963, 21 percent. In 1964, however, manufacturing share was about 24 percent of total.

5. Problems and Prospects The foregoing analysis reveals that while the rate of the industrial sector appears satisfactory in the early part of the past decade, the pace of industrialization declined during the last three years. The main problem, therefore, is to recover and hasten its tempo.

As usual, some of the inhibiting factors to rapid growth of industries still persist. These include (1) the limited number of entrepreneurs; (2) the shortage of foreign exchange; (3) inadequate supply of short and long-term investment funds; (4) the dearth of necessary skills; (5) the lack of infrastructural support; and (6) the limited size and extent of the market. Lately, repressive policies, government corruption, foreign competition, and smuggling have been added to the list of deterrents attributed to as the major cause of adverse situations now obtaining in many industries of which textiles and cigarettes are prime examples.

6. Foreign Exchange The limited supply of foreign exchange for the importation of machinery and equipment, as well as raw materials to feed manufacturing establishments, has remained a major deterrent to an accelerated pace of industrial development. In fact, since liberation, the industrial and mining claims on

foreign exchange resources for capital formation purposes have been competing substantially with other import demands. The heavy import demand is reflected in the country's balance of trade position which shows an unfavorable balance of payments.

With the expansion in export earnings as a result of decontrol, the increasing imports of raw materials would have normally been financed. Yet aggregate industrial capacity utilization stood at about 50 percent of rated capacity, a situation even below what was prevailing (about 52 percent) from 1958 to 1960. This may be explained by the fact that the demand for foreign exchange has grown at a faster rate compared to the country's capability to earn foreign exchange. This is due to the disquieting meteoric rise in invisible payments, the effects of which began to be felt in 1962. During the year, the amount of invisible payments reached abnormal proportions amounting to $412.38 million or more than double that of the previous year. Again in 1963, this figure soared to $558.91 million to nearly parallel commodity import payments amounting to $576.29. Invisible payments rose to peak level in 1964 at $719.05 million even exceeding total commodity import disbursements by $50.25 million. Indications point to the suspicion that a good part of this amount went to the financing of smuggled goods which flooded the market providing unfair competition to locally-produced import substitutes.

The international reserves fell to the lowest point in 1961 at $103.3 million. This was in contrast with the 1960 figure of $192.56 million. Due to the strengthening of the export sector as a result of decontrol in early 1962, the reserves started picking up, reaching $140.84 million at the year's end and continued soaring until August 1963 to a peak of $162.24 million. Subsequently, the reserves displayed moderate fluctuations, going up and down in 1964, but rallied in March 1965 and stood at $154.0 million. With restraints on public expenditures being imposed by the new administration, coupled with vigorous efforts to expand and diversify production both for the world and domestic markets, it is anticipated that the foreign exchange situation will improve.

7. Loans and Credits An equally important factor influencing industrial growth is the supply of both short-term and long-term investible funds. From the national accounts viewpoint, this has been discussed to note the respective shares that have been accumulating annually in the manufacturing and mining sectors, the trend of such accumulation, and the role they have been playing in inducing a shift in the structure of investment and production. Another indicator of investment trends is the direction and utilization of credit resources and the pattern they have assumed during the last few years.

Total loans and credits granted by banks and other financial institutions amounted to ₱2.9 billion in 1960, ₱4.2 billion in 1961, ₱5.7 billion in 1962, ₱5.0 billion in 1963 and ₱5.5 billion in 1964. Out of these amounts, ₱889.1 million went to manufacturing in 1960, ₱1.4 billion in 1961, ₱1.7 billion in 1962, ₱1.5 billion in 1963 and ₱1.6 billion in 1964. As a percentage of total yearly accommodations, the share flowing to manufacturing represented 30 percent in 1960; 34 percent in 1961; 35 percent in 1962; 31 percent in 1963 and 30 percent in 1964. To hasten the shift in the structure of investment, therefore, the challenge becomes one of rechannelling the flow of credits more towards desirable areas of industrial activities as is being endorsed in this manufacturing and mining plan.

8. Supply of Skills and Infrastructures The availability of necessary skills and infrastructural facilities is not a serious barrier to rapid industrial development as borne out by past experience. Our labor force has shown its easy adaptability to industrial operations requiring relatively shorter periods of training. This could be attributed to the high rate of literacy in the country, the post-war re-orientation of the educational system towards technical and vocational education and training, the exposure as well as the usual influence of international trade intercourse and modern techniques of mass communication.

With regard to infrastructural facilities, principally power and transport, the problem is more on modernization and cost consideration than on adequacy of supply.

9. The size of the market for domestic goods is steadily expanding. Much of this expansion has been due to population increase and the impact of decontrol since early 1962. In effect, decontrol was an expenditure-switch policy for it pushed import prices in peso terms upwards to more realistic levels thus inducing the shift of demand from imports to locally-produced substitutes. With greater stress on productivity and product quality, it is not difficult to foresee that the domestic market for locally-produced goods will expand much more. Similarly, the continuing rise in per capita income will also have a decisive effect. This is on the assumption that smuggling and dumping will be curtailed.

Mining

1. The Current Situation. Development in the mining sector between 1961 and 1964 displayed mixed trends, embodying declines and sudden spurts of activity. This was due principally to the fluctuations both in demand and prices of important minerals in the world market. While higher production peaks were reached, levels, fluctuated in parallel with the vacillations of the aforementioned exogenous factors. As a result, expansion although of steadily at a slow pace. The lifting of controls[1], however,

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[1] Removal of import and exchange controls allowing the exchange rate to seek its level in a free foreign exchange market. The export retention scheme, a special feature on the supply side, require exporters to surrender 20 percent of export receipts at the rate of exchange of ₱2 = $1 effective January 20, 1962 to November 6, 1965.

contributed much to the improved performance of the mining sector.

2. Production The physical volume index of mineral production in 1961 (1955 = 100) stood at 134.3. This was an improvement over the 1960 figure by 6.0 percent. In the succeeding year, output rose to 136.6 or an increase over 1961 by 1.7 percent. While production in 1963 slightly moved upward to register a 1.5 percent gain over the previous year's output, the 1964 output increased sharply to reach the peak of 144.4, an increase of 4.2 percent above 1963.

About the only principal base metal which netted moderate gains during the period (1960 - 1964) was copper. Iron ore production showed moderate increases in 1961 and 1962 but faltered somewhat in 1963 and 1964. Other base metals like chromite (refractory and metallurgical), manganese, zinc, quicksilver and non-metallic minerals like coal and rock asphalt registered slight falls.

Gold production was maintained at 423,000 fine ounces in 1960-1962 but fell to 376,000 ounces in 1963. It rose once again to 425,770 fine ounces in 1964. In the case of silver, production fell to 812,793 ounces in 1961 from 1,133,343 ounces in 1960. It further dropped to 675,570 in 1962 but rose to 767,249 in 1963. In 1964 silver production started moving up to 851,814 ounces. There appears to be good prospects for both gold and silver during the coming years.

3. Exports Exports of metalliferous ores and metal scraps amounted to $57,415,000 in 1961 and $51,856,000 in 1962. Exports increased to $66,592,000 in 1963 but fell to $61,462,000 in 1964. With the exception of chromite ore and manganese, iron ore and copper concentrate which account for the major portion of our metalliferous ore, exports are wholly absorbed by Japan. In 1961 alone, these two ores earned for the country more than $27.3 million out of total registered receipts. This increased substantially to $40.6 million in 1964 or about 60 percent of total export receipts for ores and scrap metals during the year. Scrap exports, however, were by and large made up of non-ferrous materials.

4. Employment Employment in mining declined from 1960 to 1962 as shown by the decline in the employment index from 100.0 in 1960 to 97.1 in 1961 and 91.7 in 1962. It increased slightly in 1963 by 1.1 percent to 92.7 and again by 0.3 percent to 93.0 in 1964. Declines in mining employment were to a considerable extent the aftermath of the ups and downs in mining activities. The employment statistics indicate that mining instead of helping solve unemployment has since 1960, in fact, aggrevated it.

5. Investments and Credits Investment outlays closely followed the movement of mineral output. In 1960, investment in mining amounted to ₱19 million. This increased to ₱30 million in 1961 or by 50 percent. In 1962 and 1963 investment

dropped to ₱28 million and ₱22 million respectively or a decrease of 6.6 percent and 21 percent, respectively, over the corresponding previous year. Percentage-wise, the volume of investment channelled to mining relative to the total gross investment constituted 1.6 percent in 1960, 1.7 percent in 1961, 1.4 percent in 1962 and 1.0 percent in 1963.

Loans and credits that flowed to the mining and quarrying sector totalled ₱36.7 million in 1960, ₱51.1 million in 1961, ₱50.0 million in 1962, ₱39.9 million in 1963, and ₱51.7 million in 1964. As a percentage of total credits granted to various industries during the corresponding years, these amounts represented 1.3 percent, 1.2 percent, 1.0 percent, 0.8 percent, and 0.9 percent, respectively.

6. Contribution to National Income Between 1960 and 1962 income originating from mining averaged 1.6 percent as a percentage of national income. This slightly dipped to 1.5 percent in 1963 but recovered at 1.6 percent in 1964. Mining contribution to national income in real terms amounted to ₱152.3 million in 1960, ₱161.4 million in 1961, ₱167.7 million in 1962, ₱163.9 million in 1963, and ₱190.0 million in 1964.

The Program and Its Objectives

1. Guidelines. Assessment of the current economic situation relative to the problems and prospects of the manufacturing and mining industries point to the immediate need of broadening

the industrial base so as to consolidate the gains thus far made and at the same time accelerate the momentum of developments. This is the very essence of the program evolved for the manufacturing sector under previous development schemes.

The manufacturing and mining program revolves around the following:

a. Basic industries shall be accorded topmost priority; and

b. The development of manufacturing industries shall be based to a considerable extent on the exploitation and optimum utilization of the country's resource endowments like the agricultural, mineral, fishery and forestry resources.

To achieve the foregoing basic objectives, investments shall be channeled through direct governmental resource - allocating power and through public policies and measures that are supportive of the expansion and/or establishment of the following:

a. Industries that will manufacture producer goods;

b. Industries whose products will replace essential consumer goods imports;

c. Industries that will subject traditional exports to higher stages of processing;

d. Further exploration of natural resources; and

e. Industries that will create greater employment opportunities.

The total fixed investment requirements in manufacturing and mining for projects being recommended for implementation during the next four years is shown below:

	FY 1967 (₱1000)	FY 1968 (₱1000)	FY 1969 (₱1000)	FY 1970 (₱1000)	Total (₱1000)
Public	31.2	44.0	48.2	51.0	174.4
Mining	614.0	703.8	860.8	958.8	3,137.4
Total	645.2	747.8	909.0	1,009.8	3,311.8

A refinancing program to cover the operating capital needs of industries meeting financial difficulties would require a total of about ₱800 million during the program period.

Further details on the breakdown of estimated fixed investments in manufacturing and mining are shown in Tables VIII.1 to VIII.5.

The Industrial Development Program

1. Goals More specifically, the manufacturing segment of the overall manufacturing and mining program expects to realize the following goals:

   a. Establishment and expansion of industrial plants for the manufacture of basic products such as iron steel and aluminum; basic chemicals and fertilizers; non-ferrous metals; pulp and newsprint; non-metallic manufactures; and metallurgical coke;

   b. Establishment and expansion of industries for the processing of foods and feeds;

Table VIII.1 - SUMMARY OF THE INVESTMENT PROGRAM IN MANUFACTURING FY 1967 - 1970

(In thousands)

Industries	FY 1966-67			FY 1967-68			FY 1968-69		
	Portions		Total	Portions		Total	Portions		Total
	($)	(₱)	(₱)	($)	(₱)	(₱)	($)	(₱)	(₱)
TOTAL INVESTMENT	95,079	167,070	547,386	100,162	237,653	638,301	126,276	252,939	759,043
A. PRIVATE	93,389	146,609	520,165	97,812	208,473	599,721	124,366	218,311	715,755
I. Metal industries	38,910	58,900	214,540	63,336	120,460	373,804	78,219	111,540	424,416
II. Chemicals	5,920	17,980	41,660	8,680	18,110	52,830	13,750	23,870	78,870
III. Food processing	1,030	3,400	7,520	1,050	3,000	7,200	1,030	4,070	8,190
IV. Non-metallic products	28,028	18,751	130,863	7,551	33,088	63,292	9,665	43,676	82,336
V. Wood processing	4,579	5,192	23,508	4,579	5,192	23,508	4,579	5,192	23,508
VI. Pulp and paper	3,000	10,000	22,000	5,000	16,000	36,000	10,000	18,000	58,000
VII. Small scale & cottage industries	2,422	8,345	18,033	4,166	8,395	25,059	4,023	8,350	24,442
VIII. Expansion & replacement	6,500	17,616	43,616	1,200	3,127	7,927	850	2,478	5,878
IX. Others	3,000	6,425	18,425	2,250	1,101	10,101	2,250	1,135	10,135
B. PUBLIC	1,690	20,461	27,221	2,350	29,180	38,580	1,910	34,628	42,268
I. Small scale & cottage industries	-	17,661	17,661	-	26,180	26,180	-	31,928	31,928
II. Munition plant	440	300	2,060	1,100	500	4,900	600	200	2,840
III. Industrial research	1,250	2,500	7,500	1,250	2,500	7,500	1,250	2,500	7,500
C. REFINANCING[a]	-	(250,000)	(250,000)	-	(225,000)	(225,000)	-	(175,000)	(175,000)

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[a] Refinancing is conceived of in the estimate in financial terms to cover the operating capital needs of potentially viable industrial firms meeting financial difficulties. The total annual estimates are not included in the estimates for investments.

Exchange rate: ₱4.00 - $1.00.

Table VIII.1 - Summary of the Investment Program in Manufacturing (cont'd.)

Industries	FY 1969-70			TOTAL FY 1967-70		
	Portions		Total	Portions		Total
	($)	(P)	(P)	($)	(P)	(P)
TOTAL INVESTMENT	125.487	317,783	819.731	447.004	975.445	2.763.461
A. PRIVATE	124.237	278.209	775.155	439.804	851.600	2.610.816
I. Metal industries	74,165	126,300	422,960	254,630	417,200	1,435,720
II. Chemicals	16,470	17,340	83,220	44,820	77,300	256,580
III. Food processing	1,130	4,180	8,700	4,240	14,650	31,610
IV. Non-metallic products	7,543	69,620	99,792	52,787	165,135	376,283
V. Wood processing	2,029	5,192	13,308	15,766	20,768	83,832
VI. Pulp and paper	10,000	24,000	64,000	28,000	68,000	180,000
VII. Small scale & cottage industries	3,900	9,400	25,000	14,511	34,490	92,534
VIII. Expansion & replacement	4,500	12,020	30.020	13,050	35,241	87,441
IX. Others	4,500	10,155	28,155	12,000	18,816	66,816
B. PUBLIC	1.250	39,576	44,576	7.200	123,845	152,645
I. Small scale & cottage industries	-	37,076	37,076	-	112,845	112,845
II. Munition plant	-	-	-	2,200	1,000	9,800
III. Industrial research	1,250	2,500	7,500	5,000	10,000	30,000
C. REFINANCING	-	(150.000)	(150.000)	-	(800.000)	(800.000)

TABLE VIII.2 – INVESTMENT PROGRAM IN MANUFACTURING
FY 1967 – 1970

(In thousands)

Industries	Annual capacity	FY 1966-67 Portions ($)	FY 1966-67 Portions (P)	FY 1966-67 Total (P)	FY 1967-68 Portions ($)	FY 1967-68 Portions (P)	FY 1967-68 Total (P)	FY 1968-69 Portions ($)	FY 1968-69 Portions (P)	FY 1968-69 Total (P)
A. PRIVATE		93,389	146,609	520,165	97,812	208,473	699,721	124,366	218,311	725,775
I. Metal industries		38,910	58,900	214,540	63,336	120,460	373,804	78,219	111,540	424,416
1. Basic metal		31,560	45,200	171,440	45,586	91,160	273,504	61,069	86,840	331,116
a. Integrated iron & steel mill	360,000	31,400	44,000	169,600	27,136	44,000	152,544	29,954	40,000	159,816
b. Copper smelting & refining	MT 14,000	-	-	-	3,200	6,600	19,400	4,800	4,400	23,600
c. Aluminum	MT 20,000	-	-	-	3,950	14,360	30,160	3,425	8,240	21,940
d. Nickel metal (Surigao laterite)	MT 12,000	-	-	-	4,600	10,400	28,800	6,900	10,400	38,000
e. Ferro-alloy	48,000	-	-	-	2,800	6,300	17,500	7,000	10,500	38,500
f. Zinc smelting	MT 16,000	-	-	-	1,500	3,000	9,000	3,750	5,000	20,000
g. Gold refining (Gov't)	400,000oz.	160	1,200	1,840	400	2,000	3,600	240	800	1,760
h. Cold rolled sheets	MT 70,000	-	-	-	2,000	4,500	12,500	5,000	7,500	27,500
2. Metal products		1,600	3,600	10,000	4,000	6,000	22,000	2,400	2,400	12,000
a. Pipes & fittings	MT 20,000	1,600	3,600	10,000	4,000	6,000	22,000	2,400	2,400	12,000
3. Machinery & tools		5,750	10,100	33,100	10,750	18,800	61,800	11,750	17,800	64,800
a. Agricultural machine and implements		1,000	1,600	5,600	3,000	4,800	16,800	3,000	14,800	16,800
b. Machine & hand tools -		1,000	1,500	5,500	2,000	3,000	11,000	2,000	3,000	11,000
c. Non-electrical machineries		1,000	2,500	6,500	1,000	2,500	6,500	1,000	2,500	6,500
d. Electrical machineries & appliances		1,500	2,500	8,500	1,500	2,500	8,500	1,500	2,500	8,500
e. Office equipment		250	500	1,500	250	500	1,500	250	500	1,500
f. Trans. parts & spare parts		-	-	-	2,000	4,000	12,000	3,000	3,000	15,000
g. Foundry & machine shop		1,000	1,500	5,500	1,000	1,500	5,500	1,000	1,500	5,500

Table VIII.2 - Investment Program in Manufacturing (cont'd.)

Industries	FY 1969-70			TOTAL FY 1967-70		
	Portions		Total	Portions		Total
	($)	(₱)	(₱)	($)	(₱)	(₱)
A. PRIVATE	124,237	279,052	776,000	439,804	853,784	2,613,000
I. Metal industries	74,165	126,300	422,960	254,630	417,200	1,435,720
1. Basic metal	51,415	95,000	300,660	189,630	318,200	1,076,720
a. Integrated iron & steel mill	14,090	20,000	76,360	102,580	148,000	558,320
b. Copper smelting & refining	8,000	11,000	43,000	16,000	22,000	86,000
c. Aluminum	8,375	23,600	57,100	15,750	46,200	109,200
d. Nickel metal (Surigao laterite)	11,500	31,200	77,200	23,000	52,000	144,000
e. Ferro-alloy	4,200	4,200	21,000	14,000	21,000	77,000
f. Zinc smelting	2,250	2,000	11,000	7,500	10,000	40,000
g. Gold refining (Gov't.)	-	-	-	800	4,000	7,200
h. Cold rolled sheets	3,000	3,000	15,000	10,000	15,000	55,000
2. Metal products	-	-	-	8,000	12,000	44,000
a. Pipes and fittings	-	-	-	8,000	12,000	44,000
3. Machinery and tools	18,750	25,300	100,300	47,000	72,000	260,000
a. Agricultural machine and implements	3,000	4,800	16,800	10,000	16,000	56,000
b. Machine & hand tools	3,000	4,500	16,500	8,000	12,000	44,000
c. Non-electrical machineries	1,000	2,500	6,500	4,000	10,000	26,000
d. Electrical machineries and appliances	1,500	2,500	8,500	6,000	10,000	34,000
e. Office equipment	250	500	1,500	1,000	2,000	6,000
f. Transportation parts & spare parts	9,000	9,000	45,000	14,000	16,000	72,000
g. Foundry & machine shop	1,000	1,500	5,500	4,000	6,000	22,000

Table VIII.2 - Investment Program in Manufacturing (cont'd.)

Industries	Annual capacity	FY 1966-67			FY 1967-68			FY 1968-69		
		Portions		Total	Portions		Total	Portions		Total
		($)	(P)	(P)	($)	(P)	(P)	($)	(P)	(P)
4. Drydock & shipbuilding					3.000	4.500	16.500	3.000	4.500	16.500
II. Chemicals		5.920	17.980	41.660	8.680	18.110	52.830	13.750	23.870	78.870
1. Fertilizers										
a. Ammonium sulfate	100,000 MT	2,500	3,500	13,500	600	1,650	4,050	1,200	2,420	7,220
b. Urea	65,000 MT	-	-	-	3,000	3,660	15,660	6,000	5,490	29,490
2. Soda ash	60,000 MT	600	1,950	4,350	1,500	3,250	9,250	900	1,300	4,900
3. Industrial explosives	3,000 MT	-	-	-	240	360	1,320	480	480	2,400
4. Photographic paper	580 MT	-	-	-	-	-	-	-	-	-
5. Antibiotics:		-	-	-	-	-	-	1,600	3,000	9,400
a. Pennicilin	11,000 Mgr.									
b. Streptomycin	20 Mgr.									
6. Hydrogen peroxide	1,700 MT	-	-	-	-	-	-	-	-	-
7. Coal tar dyes	2,000 MT	-	-	-	260	780	1,820	520	1,170	3,250
8. Zinc oxide	1,200 MT	300	900	2,100	-	-	-	-	-	-
9. Coco-chemicals	10,000 MT	920	2,530	6,210	1,380	2,070	7,590	-	-	-
10. Petro-chemicals:										
a. Carbon black	18.0 M lbs	1,000	8,300	12,300	-	-	-	-	-	-
b. Polyethelenes	6,000 MT	-	-	-	400	2,100	3,700	800	3,150	6,350
c. Insecticides (Benzene hexachloride	2,000 MT	-	-	-	-	-	-	250	700	1,700
d. Synthetic rubber	8,500 MT	-	-	-	600	3,240	5,640	1,200	4,860	9,660
11. Coconut oil	160,000 MT	600	800	3,200	700	1,00	3,800	800	1,300	4,500
III. Foods	131.700	1.030	3.400	7.520	1.050	3.000	7.200	1.030	4.070	8.190
1. Food canning	73,000 MT	550	2,900	4,200	600	2,200	4,600	650	2,700	5,300
2. Corn products	15,000 MT	380	900	2,420	400	600	2,200	-	-	-
3. Cassava products	7,200 MT	-	-	-	-	-	-	180	570	1,290
4. Coffee and cacao	1,500 MT	-	-	-	-	-	-	200	800	1,600
5. Animal feeds	50,000 MT	100	500	900	50	200	400	-	-	-

ble VIII.2 -- Investment Program in Manufacturing (cont'd)

Industries	FY 1969-70 Portions ($)	FY 1969-70 Portions (₱)	FY 1969-70 Total (₱)	TOTAL FY 1967-70 Portions ($)	TOTAL FY 1967-70 Portions (₱)	TOTAL FY 1967-70 Total (₱)
4. Drydock and shipbuilding	4,000	6,000	22,000	10,000	15,000	55,000
II. Chemicals	16,470	17,340	83,220	44,820	77,300	256,580
1. Fertilizers:						
a. Ammonium sulfate	1,200	1,430	6,230	5,500	9,000	31,000
b. Urea	6,000	3,050	27,050	15,000	12,200	72,200
2. Soda ash	-	-	-	3,000	6,500	18,500
3. Industrial explosives	480	360	2,280	1,200	1,200	6,000
4. Photographic paper	600	900	3,300	600	900	3,300
5. Antibiotics:	2,400	2,500	12,100	4,000	5,500	21,500
a. Pennicilin						
b. Streptomycin						
6. Hydrogen peroxide	2,000	2,000	10,000	2,000	2,000	10,000
7. Coal tar dyes	520	650	2,730	1,300	2,600	7,800
8. Zinc oxide	-	-	-	300	900	2,100
9. Coco-chemicals	-	-	-	2,300	4,600	13,800
10. Petro-chemicals:						
a. Carbon black	-	-	-	1,000	8,300	12,300
b. Polyethelenes	800	1,750	4,950	2,000	7,000	15,000
c. Insecticides (Benzene hexachloride)	370	500	1,980	620	1,200	3,680
d. Synthetic rubber	1,200	2,700	7,500	3,000	10,800	22,800
11. Coconut oil	900	1,500	5,100	3,000	4,600	16,600
III. Foods	1,130	4,180	8,700	4,240	14,650	31,610
1. Food canning	700	3,100	5,900	2,500	10,000	20,000
2. Corn products	-	-	-	780	1,500	4,620
3. Cassava products	180	380	1,100	360	950	2,390
4. Coffee and cacao	250	700	1,700	450	1,500	3,300
5. Animal feeds	-	-	-	150	700	1,300

Table 1- .2 -Investment Program in Manufacturing (cont'd.)

Industries	Annual capacity	FY 1966-67			FY 1967-68			FY 1968-69		
		Portions		Total	Portions		Total	Portions		Total
		($)	(₱)	(₱)	($)	(₱)	(₱)	($)	(₱)	(₱)
IV. Non-metallic		28,028	18,751	130,863	7,551	35,088	63,292	9,665	43,676	82,336
1. Cement	39.0 Mbags	27,352	15,021	124,429	6,815	25,535	52,795	8,951	34,630	70,434
2. Ceramic tiles & fittings	66.0M pcs.	364	1,719	3,175	364	3,897	5,353	211	2,338	3,182
3. Firebricks & refractories	10,000 MT	-	26	26	34	129	265	34	118	254
4. Optical glass	500,000 pcs.	18	151	223	82	113	441	107	113	541
5. Glass tablewares & containers		240	350	1,310	240	1,683	2,643	289	4,600	5,756
6. Flat glass	20,000 MT	54	1,484	1,700	16	1,731	1,795	73	1,877	2,169
V. Wood processing industry	4,579	4,579	5,192	23,508	4,579	5,192	23,508	4,579	5,192	23,508
1. Six integrated & wood processing plants	9,720,000 panels or 311,040,000 bd.ft. of lumber and assorted wood prods.	2,029	5,192	13,308	2,029	5,192	13,308	2,029	5,192	13,308
2. Logging equipment		870	-	3,480	870	-	3,480	870	-	3,480
3. Cargo carrier		1,680	-	6,720	1,680	-	6,720	1,680	-	6,720
VI. Pulp & paper	70,000 MT	3,000	10,000	22,000	5,000	16,000	36,000	10,000	18,000	58,000
VII. Small scale & cottage industries		2,422	8,345	18,033	4,166	8,395	25,059	4,023	8,350	24,442
VIII. Expansion of replacement		6,500	17,616	43,616	1,200	3,127	7,927	850	2,478	5,878
IX. Others		3,000	6,425	18,425	2,250	1,101	10,101	2,250	1,135	10,135
B. PUBLIC		1,690	20,461	27,221	2,350	29,180	38,580	1,910	34,628	42,268
I. Industrial research		1,250	2,500	7,500	1,250	2,250	7,250	1,250	2,250	7,250
II. Small scale & cottage industries		-	17,661	17,661	-	26,180	26,180	-	31,928	31,928
III. Munition plant	15 0 Rounds	440	300	2,060	1,100	500	4,900	660	200	2,840
C. REFINANCING		-	(250,000)	(250,000)	-	(225,000)	(225,000)	-	(175,000)	(175,000)

ble VIII.2 - Investment Program in Manufacturing (cont'd..

Industries	FY 1969-70			TOTAL FY 1967-70		
	Portions		Total	Portions		Total
	($)	(₱)	(₱)	($)	(₱)	(₱)
IV. Non-metallic	7,543	69,620	99,792	52,787	165,135	376,283
1. Cement	6,951	58,463	86,267	50,069	133,649	333,925
2. ceramic tiles & fittings	211	3,507	4,351	1,150	11,461	16,061
3. Firebricks and refractories	40	174	334	108	447	879
4. Optical glass	25	425	525	232	802	1,730
5. Glass tablewares and containers	280	4,320	5,440	1,049	10,953	15,149
6. Flat glass	36	2,731	2,875	179	7,823	8,539
V. Wood processing industry	2,029	5,192	13,308	15,766	20,768	83,832
1. Six integrated and wood processing plants	2,029	5,192	13,308	8,116	20,768	53,232
2. Logging equipment	-	-	-	2,610	-	13,440
3. Cargo carrier	-	-		5,040	-	20,160
VI. Pulp and paper	10,000	24,000	64,000	28,000	68,000	180,000
VII. Small scale and cottage industries	3,200	9,400	25,000	14,511	34,490	92,534
VIII. Expansion of replacement	4,500	12,020	30,020	13,050	35,241	87,441
IX. Others	4,500	10,155	28,155	12,000	18,816	66,816
B. PUBLIC	1,250	39,576	44,576	7,200	123,845	152,645
I. Industrial research	1,250	2,250	7,250	5,000	10,000	30,000
II. Small scale & cottage industries	-	37,076	37,076	-	112,845	112,845
III. Munition plant	-	-	-	2,200	1,000	9,300
C. REFINANCING	-	(150,000)	(150,000)	-	(800,000)	(800,000)

Table VIII.3 - SUMMARY OF THE ESTIMATED PUBLIC AND PRIVATE INVESTMENT IN MINING
(FY 1967 - 1970)

(In thousands)

SECTOR	FY 1966-1967			FY 1967-1968			FY 1968 - 1969		
	Dollar portion	Peso portion	Total	Dollar portion	Peso portion	Total	Dollar portion	Peso Portion	Total
I. PUBLIC	[illegible]	3,847	3,979	37	5,272	5,420	39	5,776	5,932
II. PRIVATE	6,497	67,847	93,835	10,126	63,575	104,079	12,763	93,973	145,025
TOTAL	6,510	71,694	97,814	10,163	68,847	109,499	12,802	99,749	150,957

SECTOR	FY 1969-1970			TOTAL FY 1966 - 1970		
	Dollar portion	Peso portion	Total	Dollar portion	Peso portion	Total
I PUBLIC	42	6,256	6,[illegible]24	161	21,151	21,755
II. PRIVATE	17,116	115,281	183,645	46,502	340,576	526,584
TOTAL	17,158	121,437	190,069	46,658	361,727	548,339

Note: Exchange rate = ₱4.00 to $1.00.

Table VIII.4 - ESTIMATED PRIVATE INVESTMENT IN MINING
(FY 1967 - 1970)

(In thousands)

PROJECTS	FY 1966-1967			FY 1967 - 1968			FY 1968 - 1969		
	Dollar portion	Peso portion	Total in pesos	Dollar portion	Peso portion	Total in pesos	Dollar portion	Peso portion	Total in pesos
TOTAL	6,497	67,847	93,835	10,126	63,575	104,079	12,763	93,973	145,025
I. Geological survey and oil exploration	109	3,794	4,230	218	5,570	6,442	327	5,331	6,639
II. Exploration of magnetite sand	114	274	730	228	410	1,322	342	540	1,908
III. Development:									
Metals and Ores									
1. Gold, silver, copper, zinc & molybdenum a/	1,406	4,061	9,685	2,812	5,509	16,757	4,218	6,958	23,830
2. Quicksilver	102	299	707	107	340	768	258	405	1,437
3. Chromite	45	8,312	8,492	150	4,657	5,257	152	9,779	10,387
4. Iron	2,000	12,726	20,726	2,802	17,587	28,705	2,384	22,790	32,326
5. Manganese	78	347	659	156	662	1,286	234	986	1,922
6. Copper	268	16,129	17,201	536	16,129	18,276	686	24,194	26,938
7. Nickel	1,955	1,754	9,574	2,203	2,840	11,652	2,968	8,236	20,108
Non-Metals									
1. Cement raw materials	410	17,733	19,373	450	6,679	8,479	450	12,786	14,586
2. Coal	-	456	456	37	1,190	1,338	75	905	1,205
3. Asbestos	-	50	50	408	183	1,815	644	473	3,049
4. All other non-metallics	10	1,912	1,952	19	1,819	1,895	23	590	682

a By-products included.
Exchange rate = ₱4.00 - $1.00

Table VIII.4 (Con't.)

PROJECT	FY 1969 - 1970			TOTAL FY 1966 - 1970		
	Dollar portion	Peso portion	Total in pesos	Dollar portion	Peso portion	Total in pesos
T O T A L	17,116	115,181	183,645	46,502	340,576	526,584
I. Geological survey and oil exploration	436	7,328	9,072	1,090	22,023	26,383
II. Exploitation of magnetite sand	456	199	2,023	1,140	1,423	5,983
III. Development:						
Metals and Ores						
1. Gold, silver, copper, zinc & molybdenum	5,624	8,406	30,902	14,060	24,934	81,174
2. Quicksilver	-	443	443	467	1,487	3,355
3. Chromite	159	17,211	17,847	506	39,959	41,983
4. Iron	3,792	29,785	44,953	10,978	82,888	126,800
5. Manganese	412	1,432	3,080	880	3,427	6,947
6. Copper	954	25,394	29,210	2,444	81,846	91,622
7. Nickel	3,756	5,015	20,039	10,882	17,845	61,373
Non-metals						
1. Cement raw materials	630	17,106	19,626	1,940	54,304	62,064
2. Coal	89	923	1,279	201	3,474	4,278
3. Asbestos	770	900	3,980	1,822	1,606	8,894
4. All other non-metallics	68	1,009	[illegible]	92	5,360	5,728

Table VIII.5 - ESTIMATED PUBLIC INVESTMENT IN MINING
FY 1967-70

(In thousands)

Projects	1966-1967			1967-1968			1968-1969		
	Portions		Total	Portions		Total	Portions		Total
	($)	(P)	(P)	($)	(P)	(P)	($)	(P)	(P)
TOTAL	33	3,847	3,979	37	5,272	5,420	39	5,776	5,932
1. Geological, geophysical & geo-chemical surveys a/	16	1,798	1,862	18	1,681	1,753	19	1,861	1,937
2. Exploration projects	1	470	474	1	542	546	1	598	602
3. Metallurgical services b/	16	430	494	18	479	551	19	529	605
4. Other services c/	—	1,149	1,149	—	2,570	2,570	—	2,788	2,788

Projects	1969-1970			TOTAL FY 1966-70		
	Portions		Total	Portions		TOTAL
	($)	(P)	(P)	($)	(P)	(P)
TOTAL	42	6,256	6,424	151	21,151	21,755
1. Geological, geophysical & geo-chemical surveys a/	20	2,045	2,125	73	7,385	7,677
2. Exploration projects	2	661	669	5	2,271	2,291
3. Metallurgical services b/	20	577	657	73	2,015	2,307
4. Other services c/	—	2,973	2,973	—	9,480	9,480

a/ Excludes other proposed projects such as airborned geophysical projects, offshore marine surveys.

b/ Excludes other proposed projects such as pilot testing of laterite ores, laboratory buildings, etc.

c/ Consist of mineral land surveys, mineral and petroleum land management, and general administration.

Exchange rate = P4.00 to $1.00.

c. Expansion of the lumber, veneer and plywood and other wood industries, including the utilization of wood by-products and waste products;

d. Increased capacity utilization of existing industrial plants showing indications of potential viability;

e. Promotion and development of small-scale and cottage industries; and

f. Intensification of industrial research and technical assistance especially insofar as new products and new processes are concerned including efforts at quality production and product standardization.

2. Investment Outlays To achieve the specific goals outlined above, the manufacturing development program envisages investment outlays amounting to ₱547.4 million in 1967, ₱638.3 million in 1968, ₱759.0 million in 1969, and ₱1,192.7 million in 1970. The estimates cover the financing of the proposed industrial projects enumerated therein. The itemized projects for development and expansion are regarded as priority projects, however, it does not necessarily follow that all those included are economically feasible to implement. To cover the refinancing needs of existing industries that are meeting operational difficulties in order to raise their capacity utilization and improve their ability to survive in a growing but more competitive market, an estimated ₱800 million will be needed during the program period.

Within this priority listing, however, are considered the following basic projects iron and steel, chemicals, and pulp manufacture from indigenous raw materials. The completion of the two integrated iron and steel mills with an aggregate capacity of 400,000 MT of various iron and steel products is deemed imperative to attain the twin basic objectives of the program namely: to broaden the industrial base and to accelerate the tempo of industrial development.

Priority also includes secondary iron and steel processing industries such as the production of agriculture tools and implements, machine tools, iron works, steel chains and anchors, hose, steel ropes, wire drawing, automotive spare parts, ball-and-roller bearings, saw and saw blades, bicycle parts, etc. These projects are primarily designed to utilize the country's indigenous resources in order to reduce the importation of both intermediate and final or end-products. The integration of the pulp and paper industry is also being given priority to remedy the existing imbalance between the country's pulping and paper-making capacity. The further objective, therefore, is to reduce to a large extent the importation of pulp upon which existing paper making plants greatly depend. As regards the cotton textile industry, no capacity expansion has been suggested during the program period except efforts to increase capacity utilization through the refinancing of those that would show potential viability. The plan, likewise, gives emphasis on the expansion of the wood processing industry and at the same time increase the capacity specially of lumber, veneer and plywood processing plants. The aim is to gradually reduce log exportation and increase at the same time the exportation of finished products from this raw material at higher stages of processing in order to increase the contribution of wood industries to employment and income.

Likewise, the program is geared towards strengthening the institutions for promoting and developing small-scale and cottage industries by providing added incentives in the form of assistance in production, marketing, standardization and financing in order to bring about improvements in the level of incomes especially in the rural and urbanizing areas.

3. Priority Industries

a. Metal Industries The four-year industrial program for the metal and metal products industries covering the period FY 1967-1970 envisages the completion of the Philippine Integrated Steel Mills at Iligan City and the establishment of another steel mill along the Laguna Lake shore. Other primary metal industries included in the program are copper smelting and refining, aluminum smelting, processing of laterite deposit in Surigao into nickel paste for exportation, manufacture of ferro-alloys to serve the two integrated steel mills, zinc smelting to provide the much-needed zinc metal for the existing galvanizing plants, gold refining and cold rolled sheets to fully meet the requirements of the existing galvanized iron sheets and tinning plants. Emphasis has been given to the integration of the metal industries considering end-products in relation to raw material inputs that could be produced from indigenous resources.

The establishment of another pipe and fittingsplant proposes to reduce the importation of this item if not to eliminate it completely.

The program also aims to establish plants that will manufacture agricultural machinery and implements, machine and hand tools, electrical machinery and appliances, office equipment, and transportation parts and spare parts, including the construction of inter-island vessels.

The investment program for the development of metal industries amounts to ₱1,584,728,000 of which $279,630,000 will be in foreign currency and the rest in pesos. This represents 57 percent of the total investment outlays of ₱2,764,000,000 for manufacturing.

(1) The Iron and Steel Industry

(a) Integrated Iron and Steel Mills ,The program recommends the implementation of the two proposed integrated steel mills with a combined rated capacity of 360,000 MT annually.

The proposal has been based on the iron and steel requirements of the country. At present there are only two small iron smelting plants. The Jose Panganiban Smelting Plant (NASSCO) with an annual rated capacity of 12,000 metric tons of pig iron, started operation in March 1964 and the Sta. Ana Iron Works in Iloilo with an annual rated capacity of 3,500 metric tons of pig iron which started operation in April 1963.

With this small amount of production including the smelting of scrap metals, the country relies mostly on imports. In fact, imports of primary iron and steel from 1959 to 1963 show an annual average of about 80 percent of total demand indicating that only 20 percent is being supplied from local sources.

The lag in the development of the iron and steel industry based on the importation and production of primary iron and steel is shown below:

Year	Importation (In m.t.)	Local production (In m.t.)	Total (In m.t.)	Imports (percent)
1959	293,487	70,620	364,107	80.26
1960	286,808	79,680	366,486	78.26
1961	332,250	87,930	420,180	79.07
1962	300,542	77,890	378,522	78.40
1963	345,012	81,080	476,092	80.97

A projection of the iron and steel demand in the country shows a slight increase in percentage terms although in absolute terms it could be considered substantial. Shown below is the rate at which iron and steel consumption is anticipated to grow from 1964 to 1970.

Year	Consumption	Increases
1964	433,000	
1965	448,300	3.5
1966	464,300	3.6
1967	480,900	3.6
1968	497,700	3.5
1969	515,300	3.4
1970	533,600	3.4
Average		3.5

The above table shows that by 1970, the demand for primary iron and steel will reach an estimated 533,600 metric tons. This does not, however, include the iron requirements of the proposed machine and tools manufactures.

The program includes two integrated iron and steel mills. These are the Philippine Integrated Steed Mills Corporation with an iron smelting furnace annual capacity of 230,000 metric tons now being established in Iligan City and the proposed steel mill in Luzon with an annual rated capacity of 130,000 metric tons a year. Total capacity for both mills will reach 360,000 metric tons a year.

The capacity of the two proposed integrated steel mills will still be below the projected iron and steel demand of the country. The establishment and full operation of the two steel mills, however, could lead to a significant fall in the importation of primary and semi-finished iron and steel products and can be considered a significant breakthrough in the field of industrialization.

(b) Cold Rolled Sheets The program considers the establishment of one cold rolling mill for sheets with a rated capacity of 70,000 metric tons a year as proposed by a steel mill in Luzon. The other proposed cold rolling mill with an annual rated capacity of 85,000 metric tons is included in one of the two proposed integrated steel mills. Both plants are included in this Four-Year Program for Manufacturing and Mining. The establishment of the two rolling mills will raise the total local rolling capacity to 275,000 metric tons. At present only the Southern Industrial Project has the facilities to manufacture cold rolled sheets, having an annual rated capacity of 120,000 metric tons. Its product is primarily intended for the galvanizing sheets plants.

The requirements for cold rolled sheets by 1970 based on the consumption of products manufactured from cold rolled sheet have been estimated at 329,000 metric tons per year as shown below.

(In metric tons)

Year	Consumption of GI sheets	Consumption Tin & Tinplate	Total
1959	66,500	44,800	111,300
1960	63,100	64,700	127,800
1961	79,400	67,100	146,500
1962	98,000	33,500	131,500
1963	99,500	57,000	156,500
1964	113,400	60,000	173,400
Projection			
1965	128,000	64,700	192,700
1966	144,600	69,200	213,800
1967	163,200	74,200	237,400
1968	184,300	80,100	264,400
1969	208,000	86,900	294,900
1970	235,000	94,400	329,400

It is not the intention of the program, however, to fully supply this rolled sheet requirements, but rather to balance by 1970 the capacity of the rolled sheet steel mills and the capacity of the plants using the rolled sheets. Shown hereunder are the capacities of existing and proposed cold rolled sheet plants.

Existing	129,000 MT
Proposed	85,000 MT
Proposed	70,000 MT
Total	275,000 MT

The existing users of rolled sheets and their respective capacities are shown below.

5 Galvanizing plants	210,000 MT
1 Tinning plant	72,000 MT
Total	282,000 MT

The program anticipates that by 1970, the required balance between galvanizing and tinning plants on the one hand and the cold rolled sheets mills on the other would have been already achieved.

(c) Ferro-Alloy The program includes the establishment of plants to produce 48,000 metric tons per year of ferro-alloys. The basis for the projection was the ferro-alloy requirements of the two proposed integrated steel mills.

The establishment of the two integrated steel mills in addition to the existing steel mills using scrap iron will result in an annual production of about 450,000 metric tons of steel by 1970. Assuming that the alloying elements average to about 5.5 percent and the ferro-alloy produced will contain 50 percent of the alloying element, the ferro-alloy requirements will amount to about 49,500 metric tons.

(d) Pipes and Fittings The program proposes the establishment of another another pipe and fittings mill with a rated capacity of 20,000 metric tons per year.

The total rated capacity of the two existing steel pipes and tube mills is 34,000 metric tons. The 1964 consumption is 29,000 metric tons and is expected to increase to 50,000 metric tons by 1970. To allow local production to cope up with the projected demand, another pipe and fittings plant with an annual rated capacity of 20,000 metric tons has been considered in this program.

(2) The Non-Ferrous Metals

(a) Aluminum The four-year development program includes the establishment of an aluminum smelting plant with an annual rated capacity of 20,000 metric tons. In the meantime that the domestic market for various aluminum products is small, exportation especially to nearby Asian countries has been considered.

There is no aluminum smelting plant in the country yet although several years ago, two proposals had been submitted to the National Economic Council for consideration. One has a proposed annual rated capacity of 25,000 metric tons and the other has a proposed annual rated capacity of 18,200 metric tons.

The importation of aluminum metal from 1959 to 1963 is shown hereunder:

Year	Quantity
1959	2,330 MT
1960	5,702 MT
1961	3,250 MT
1962	2,600 MT
1963	5,587 MT
Total	19,469 MT
Average	3,894 MT

Based on the average annual importation from 1959 to 1963 of 3,894 metric tons, the program considers the establishment of one smelting plant which is deemed sufficient to supply the immediate needs of industries producing various types of aluminum products.

(b) Copper The Program proposes the establishment of one copper smelting plant with an annual rated capacity of 14,000 metric tons.

The importation of primary copper metal from 1959 to 1963 is shown below:

Year	Quantity
1959	3,010 MT
1960	3,403 MT
1961	4,545 MT
1962	4,705 MT
1963	4,587 MT
Total	20,250 MT
Average	4,050 MT

The foregoing shows that the average annual importation of copper from 1959 to 1963 was 4,050 metric tons. This represents 33 percent of the total rated capacity of the proposed copper smelting plant. About 67 percent of the total output will have to be exported.

Aside from copper metal, zinc oxide and ammonium sulfate production is also indicated in the program to consider the possible utilization of other important products that are associated with copper ore.

(c) Zinc The program recommends the establishment of a zinc smelting plant with an annual rated capacity of 16,000 metric tons.

The main users of zinc are the galvanizing plants. There are five existing galvanized iron sheet plants with a total capacity of 210,000 metric tons per year. By 1970 it is estimated that these five plants will operate at full capacity.

Galvanized iron sheets require about 6 to 10 percent zinc. Using an average of 8 percent, 16,800 metric tons of zinc metal will be needed in the production of 210,000 metric tons of galvanized iron sheets.

(d) Gold The average annual production of gold bullion in this country is about 400,000 ounces. The program recommends the establishment of a gold refining plant by the Central Bank of the Philippines.

b. Chemical Industries The proposed four-year development program for the chemical industries covering the period FY 1967 to 1970 envisages: (1) the establishment of new projects like soda ash, plastic and synthetic materials, industrial explosives, petro-chemicals, antibiotics, the expansion of existing plants as illustrated by the ammonium sulfate fertilizers; and (2) the refinancing of potentially viable projects which are meeting financial difficulties. The program for new projects involves a total capital outlay of ₱266.38 million of which $47.02 million will be in foregin exchange and ₱78.30 million in local currency.

The planned production goals for each of the projects included in the program are shown hereunder:

Product line	Production Goal	1965 CIF Value ($ 1,000)
1. Fertilizers:		
a) Ammonium sulfate	100,000 MT	6,810
b) Urea	65,000 MT	7,480 a/
2. Soda ash	60,000 MT	2,870
3. Industrial explosives	3,000 MT	1,370
4. Munition plant	15.0 M rounds	765 a/
5. Photographic paper	580 MT	820 a/
6. Antibiotics		
a) Penicilin	11,000 M grains	290
b) Streptomycin	20 M grains	510
7. Hydrogen peroxide	1,700 MT	460
8. Coal tar dyes	2,000 MT	5,600
9. Zinc oxide	1,200 MT	400
10. Coco-chemicals	10,000 MT	—

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a/ Value based on project studies of the Industrial Resources Branch, NEC.

11. Petro-chemicals:		
a) Carbon black	18.0 M lbs.	2,020
b) Polyethelenes	6,000 MT	2,440
c) Insecticides	—	1,380
(1) Benzene hexachloride	2,000 MT	
d) Synthetic rubber	8,500 MT	4,100
12. Coconut oil	160,000 MT	—

The establishment of the above projects anticipates the production of basic chemicals, fertilizers and other highly essential chemical products which are being imported by the country in substantial amounts. These plants, geared towards the increasing utilization of domestic raw materials will also generate additional employment opportunities as well as savings in foreign exchange.

(1) Fertilizers It is difficult to definitely state the actual fertilizer requirement of the country. Observations have been made to the effect that the wider use of fertilizer in the country is still in the educational stage and, therefore, largely dependent on an effective extension education program. On the other hand, farmers ability to pay to provide this basic input in agriculture which is dependent on cost, price and profit considerations is a major deterrent especially insofar as rice farming is concerned.

On the basis of total area planted, the total annual requirement for nitrogenous fertilizer of the sugar industry alone amounts to 26,500 metric tons of nitrogen[a] and 445,860 metric tons for other important crops like, rice, corn, coconut, tobacco, vegetables, citrus, coffee and cacao and other food crops.[b] Assuming that only 60 percent of the sugar farms and 30 percent of other farms will apply fertilizers, the estimated demand for nitrogenous fertilizer in terms of its nitrogen content would reach 149,690 metric tons which is equivalent to 320,790 of urea or 705,640 metric tons of ammonium sulfate.

Table VIII.6 - NITROGEN REQUIREMENTS OF THE SUGAR INDUSTRY

	Year	Area cultivated	Total ammon. sulphate	Amount N_2	Equivalent urea
Luzon	1961-62	69,572 ha.	43,200 MT	9,150 MT	19,650 MT
	1960-61	70,484 ha.	43,600 MT	9,250 MT	19,830 MT
Visayas	1961-62	149,719 ha.	84,700 MT	18,000 MT	38,600 MT
	1960-61	138,285 ha.	78,400 MT	16,600 MT	35,600 MT

Source: Studies of the Philippine Sugar Institute.

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[a] As recommended by the Philippine Sugar Institute.
[b] Based on studies of the Bureau of Plant Industry.

Table VIII.7 - NITROGENOUS FERTILIZER REQUIREMENTS FARM OTHER THAN SUGAR

	Area Planted (Ha.)	Recommended rate N$_2$ Kg/ha	 P Kg/ha	 K Kg/ha	Urea required (MT)	Ammon. sulfate equivalent (MT)
Upland rice	2,642,320	52	23	50	283,000	624,000
Irrigated lowland rice	664,130	43	42	98	61,300	135,000
Corn	2,047,580	70	40	30	307,000	676,000
Coconut	996,000	80	60	240	171,000	376,000
Tobacco	94,280	20	20	20	4,040	8,900
Vegetables except onions & potatoes	95,700	30	40	10	6,180	13,600
Citrus	28,600	30	40	10	1,840	4,050
Coffee & cacao	53,960	30	40	10	3,470	7,640
Potatoes	2,510	82	32	123	441	971
Root vegetables	273,650	91	39	143	53,365	117,388
Peas & beans	56,020	25	33	104	3,000	6,600
Cotton	50	50	32	58	6	14
Bananas	220,500	110	55	247	51,978	114,338
Pineapple	30,110	119	51	208	7,678	16,890
Rubber	17,010	36	22	52	1,312	2,885
Total					955,610	2,104,276

Source: ibid.

The existing ammonium sulfate plants have an annual rated capacity of 100,000 metric tons or 21,210 metric tons nitrogen equivalent. One of these, which at present has a capacity of 50,000 metric tons is now being reformed into a modern naptha-steam liquid fertilizer plant and is expected to operate sometime this year, with an increased daily capacity of 100 metric tons of anhydrous or liquid ammonia. ESSO at present has an annual rated capacity of 90,000 metric tons of ammonia equivalent to 74,160 metric tons of nitrogen from which urea, ammonium sulfate and other nitrogenous fertilizers will be manufactured. The total domestic supply of nitrogenous fertilizers, therefore, is short by 50,810 metric tons in terms of nitrogen. This gap between requirements and supply could be met through the expansion of the existing ammonium sulfate plants and the establishment of another one with a total capacity of 100,000 metric tons as well as a new urea plant of 65,000 metric tons annual capacity.

(2) Soda Ash Soda ash is not produced locally so that the country's requirement is wholly supplied through importation. The average annual importation during the period CY 1961-64 amounted to 21,000 metric tons valued at about ₱3.6 million. The projected requirement for this chemical ranges from 38,000 metric tons to 50,000 metric tons per year.

(3) Industrial Explosives Industrial explosives refer to dynamites, high explosives, black powder, blasting caps, electric

safety fuses, detonating fuse and percussion caps. These products are generally used in coal mining, metal mining, stone quarrying and civil engineering works such as construction works and power generators, irrigation ditches, road tunnels, ports and harbors, etc. From 1961 to 1964, the average importation of these items amounted to 3,269 metric tons valued at $1.7 million. The estimated annual demand based on past consumption ranges from 3,354 to 3,438 metric tons. The proposed plant has an initial capacity of 10 tons a day.

(4) Munition Plant This project will be undertaken by the Department of National Defense. The machinery and equipment including the structural and building materials are to be acquired through the Reparations Program, but the order was cancelled.

(5) Photographic Paper At presnet, all types of photographic paper are being imported. The average consumption amounts to about $1.82 million. For the first semester of 1965, more than a million dollars worth of photographic paper was imported.

(6) Petro-Chemicals The importation of petro-chemicals alone poses a heavy drain in our foreign exchange reserve. The landed cost of our importation of the petro-chemicals selected under this program amounted to about $8.0 million.

Below are figures showing the actual consumption of selected petro-chemicals products from which the projected demand was determined by the "Least Square Method".

Table VIII.8 - ACTUAL ANNUAL CONSUMPTION OF SELECTED PETROCHEMICALS

	CY 1960		CY 1961		CY 1962		CY 1963		CY 1964	
	Qty (mt.)	Cif val ($1000)	Qty (mt.)	Cif val ($1000)	Qty (mt.)	Cif val ($1000)	Qty (mt.)	Cif val ($1000)	Qty (mt.)	Cif val ($1000)
Carbon black	2,263	537	3,038	727	3,087	870	4,008	1,122	5,501	1,309
Synthetic rubber	3,633	2,114	4,627	2,527	4,645	2,385	4,814	2,412	6,790	3,358
Insecticide pesticide	1,640	1,678	2,177	2,076	1,576	1,166	2,363	1,659	2,165	1,805
Polyethelenes	—	—	—	—	1,205	628	2,803	1,215	2,935	1,283

Source: Central Bank of the Philippines.

Table VIII.9 - PROJECTED DEMAND FOR THE FISCAL YEARS 1966 - 1970

	FY 1966-67 (m.t.)	FY 1967-68 (m.t.)	FY 1968-69 (m.t.)	FY 1969-70 (m.t.)
Carbon black	6,179	6,628	7,154	7,462
Synthetic rubber	7,331	7,709	8,061	8,391
Insecticides pesticides	3,361	3,584	3,794	3,994
Polyethelenes	4,900	5,774	6,639	7,504

Source: Central Bank of the Philippines.

(a) Carbon black Carbon black has a variety of industrial functions, e.g. as reinforcing agent, pigment, filler, conductor and as chemical reducing agent. The bulk of the carbon black imported, however, is used as reinforcing filler in the rubber goods industry but principally for tire manufacturing. A standard passenger automobile tire contains approximately five (5) pounds of carbon and ten pounds of natural or synthetic rubber. In the absence of local producers, all carbon black requirements of manufacturers of rubber tires, tubes and other rubber products were met through importation. It is expected that the demand for this chemical will reach about 7,500 metric tons in 1970 based on past consumption trends.

(b) Synthetic Rubber · Synthetic rubber is equally as essential as natural rubber in the industrial world. The use of synthetic rubber serves not only as a good substitute to natural rubber but also to improve the physical properties of rubber products when blended with natural rubber.

(7) Coconut Oil · The goal for coconut oil milling is 160,000 metric tons per year. This is equivalent to about 30 percent of the country's average annual exportation of copra.

The industrial program aims at gradually increasing exportation of semi-manufactured and manufactured products if not to replace entirely the country's traditional raw material exports.

Coconut oil is becoming more important for both food and non-food production. This could be one of the reasons the trend of world demand for coconut is increasing.

Although coconut oil, unlike copra does not enjoy duty-free privileges in the United States market and many European countries, the foreign market for this product has steadily increased as shown by annual export figures for the past five years from 1960 to 1964. An average annual increase of 43.2 percent has been noted. The exportation of copra, however, fluctuated from year to year.

Another measure of foreign market behavior for this product is the ratio of coconut oil exports to total copra exports. The ratios jump from 0.07 in 1960 to 0.25 in 1964. The average annual percentage increase of the ratios was 28.13 percent.

Table VIII.10 - EXPORTS OF COPRA AND COCONUT OIL

Year	Copra Qty. (m.t.)	Exports value ($1000)	Coconut Oil Qty (m.t.)	Exports value ($1000)	Ratio of Coconut oil to copra exports
1960	804,371	138,643	59,695	15,669	0.0742
1961	627,532	88,196	74,378	15,539	0.1190
1962	779,441	112,955	147,603	31,570	0.1890
1963	1,032,660	168,259	195,321	46,714	0.1890
1964	910,019	156,091	229,447	57,936	0.2520
Ave.	91,692	132,829	141,289	33.966	

(8) Coco-Chemicals This project is a new venture in the local chemical industry. It will produce from coconut oil, fatty alcohols and plasticizers which are essential raw materials in the plastic industry and in the manufacture of detergents, cosmetics and medicines. The proposed annual capacity for this project is 6,600 metric tons of plasticizers and 3,600 metric tons of fatty alcohol. It will use about 12,000 metric tons of coconut oil as raw material or approximately 20,000 metric tons

of copra assuming a 60 percent coconut oil extraction rate.

(9) Other Chemicals Other chemicals which are also included in this program are hydrogen perioxide, anthraquinone and coal tar dyestuffs, zinc oxide and antibiotics. The average annual consumption for these chemicals and the projected demand are indicated hereunder:

Table VIII.11 - ANNUAL CONSUMPTION AND PROJECTED DEMAND FOR CHEMICALS

Chemical Product	Annual imports		Projected demand			
	Qty.	Cif. Val ($1000)	FY 1966-67	FY 1967-68	FY 1968-69	FY 1969-70
Coal tar dyes	1,270 MT	3,104	1,552 MT	1,608 MT	1,653 MT	1,696 MT
Hydrogen peroxide	656 MT	229	1,286 MT	1,431 MT	1,569 MT	1,701 MT
Antibiotics:						
a) Penicilin	7,744 MG	487	9,726 MG	10,044 MG	10,362 MG	10,680 MG
b) Streptomycin	11.0 MG	486	16.5 MG	19 MG	21.5 MG	24.0 MG
Zince oxide	853 MT	264	1,077 MT	1,089 MT	1,103 MT	1,118 MT

Source: Central Bank of the Philippines.

Note: MT - Metric tons
MG - Million grains

c. Food Processing and Manufacturing The plan for food processing and manufacturing calls for the expansion and establishment of new facilities for food canning, cassava and corn starch manufacturing, coffee and cacao processing and animal feed production. The program is designed to complement the agricultural program on improved production, marketing and distribution of food products.

The Philippine food processing industry is still in its early stage of development. Domestic supply of manufactured food products is considerably below the requirements. Despite the short supply, food wastage is still being experienced especially during harvest and peak season due to marketing difficulties and the lack of cold storage and processing facilities in many producing areas.

The food processing and manufacturing plan envisages the investment of about ₱31.6 million for the next four-year period with a dollar investment amounting to $4.2 million for the purchase of capital goods and equipment. Emphasis will be on the establishment of four fish canning factories, one meat canning plant, two fruit and vegetable canning establishments, one plant to process coffee and cacao, one plant to process animal feeds, one plant each for the manufacture of corn starch and by-products, and cassava products.

Investment, however, for the setting up of the required ice and cold storage plants have been considered in the Agricultural

Development Program.

(1) Meat, Fish, Fruit and Vegetable Canning The combined capacity of the seven plants designed to can fish, meat, fruits and vegetables aggregate 73,000 metric tons. This will be sufficient to displace the importation of such prime commodities which in 1964 amounted to 60.6 thousand metric tons valued at $21.5 million or ₱86.0 million. The dollar requirement for the purchase of capital equipment for these food processing plants would amount to $2.5 million, or roughly ₱10 million.

(2) Coffee and Cacao Processing The proposed plan to establish a cacao and coffee processing plant is designed to displace the importation of cacao and coffee products which in 1964 amounted to 1,521 metric tons valued at $267,252. With the establishment of the above plant during the program period, it is anticipated that no more importation will take place.

(3) Animal Feeds The projected demand[a] for animal feeds in 1970 will reach a total of 845,000 metric tons of which 548,000 metric tons will be consumed locally and 297,000 metric tons exported. The 1966 projection for animal feeds production reaches a total of 689,000 metric tons of which 421,000 metric tons are estimated to be consumed locally and 268,000 metric tons exported. This

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[a] Based on PIA studies.

contrasted with the actual production in 1964 of 276,175 metric tons. Considering the actual production of figures in 1964, the deficiency would amount to 227,825 metric tons which will be gradually satisfied by the expansion of productive capacity. The proposed plant will have a yearly capacity of 50,000 metric tons.

(4) Cassava and Corn Starch One cassava plant with a capacity of 7,200 metric tons is proposed under the program, requiring a total investment outlay of ₱2.39 million. Likewise, one corn starch plant is proposed to produce corn starch, corn oil and by-products. The plant will require an investment of ₱4.6 million. The product of these two plants will displace imports of starches and other corn by-products which are used by the bakery and confectionary industries.

d. Non-metallic manufacturing The non-metallic manufacturing industry is fast growing in the country. It has been contributing tremendously in the growth of the national economy. Noteworthy members of the non-metallic manufacturing product lines are cement, ceramic tiles and fittings, firebricks and refractories, optical glass, glass tablewares and containers, and flat glass, the expansion of which are considered in the manufacturing program for implementation during the next four years.

(1) Cement Industry The program aims to produce more of the essential construction materials to support the country's growing needs for housing, commercial, industrial and public buildings, infrastructure facilities and a few other products outside the legitimate construction materials grouping. The cement industry has reacted quite impressively to the expanding demand that imports have almost been completely eliminated.

In 1965, there were eight cement plants in operation whose aggregate annual rated capacity reached 40.32 million bags. Actual production, however, totalled 35.7 million bags or 88.5 percent of rated capacity. This increased by 22.2 percent over the total output during the previous year.

The program proposes to increase the rated capacity of the cement industry both through the expansion of existing plants and the establishment of new projects. The proposed projects in cement for implementation during the period include the capacity expansion of four existing plants by 27.6 million bags and the establishment of three new plants with a total capacity of 11.4 million bags, or a total combined capacity of 39 million bags. The proposed expansion of the cement industry has been based on the analysis of consumption data during the last five years ending 1965.

The total capital outlays to realize the program amounts to ₱333.92 million of which $50.07 million will constitute the foreign exchange requirement.

(2) Firebricks, Refractories and Ceramics Tiles The firebricks, refractories and ceramic tiles proposals are designed for the expansion of existing plants. It involves an investment of ₱16.06 million for ceramic tiles and ₱879 thousand for firebricks and refractories. This is programmed to provide the needs of new industries which will utilize high temperature operations, principally the Iligan Integrated Steel Mills and the Sta. Ines Iron and Steel Plant. It will also supply the firebricks and refractories demand for the expansion of existing factories and the construction of new cement plants and ceramic tiles factories.

(3) Glass and Containers Based on the expected rise in construction activity and the high cost of imported flat glass, the capacity of the country to manufacture flat glass will have to increase by 20,000 metric tons. The only manufacturer of this commodity at present is the Republic Glass Corporation, the present rated annual capacity of which is 15,000 metric tons. To increase the capacity of this firm to 35,000 metric tons a year, an investment outlay of ₱8.54 million is involved. . . . . .

Another important industry which is needed to supply the fast growing food processing and chemical industries is the glass container industry. The program for the expansion of the glass container industry and the glass tablewares industry considers an estimated $1.50 million and ₱10.95 million for their development, or a total investment of ₱15.15 million from FY 1966 to FY 1970.

With the addition of the proposed expansion of optical glass manufacturing which involves about ₱1.73 million, the overall investment for the non-metallic manufacturing program is estimated at ₱376.28 million, ₱165.14 million of which represents the peso portion and the remainder of $52.79 million, the foreign exchange.

e. The Wood Industries The plan for the wood processing industry will involve the expansion of the existing capacity of sawmills, veneer and plywood plants, furniture manufacturing and other woodworking enterprises. It is envisioned to hold the exportation of logs constant and to place emphasis on the domestic processing of logs into lumber, veneer, plywood and other wood products. To realize the program, an investment outlay of ₱103 million for the four-year period ending 1970 will be necessary. This will increase the production capacity of the wood industry as well as increase the capacity utilization of existing wood processing firms. Six integrated wood processing plants are proposed to be established with a consolidated yearly output of 9,720,000 panels or 31,140,000 sq. ft. of plywood; 53,320,000 bd. ft. of lumber and assorted furniture products such as window frames, chairs, tables and cabinets. Likewise, it is proposed that three 12,000 dead weight tons ship carriers with a capacity of 4,000,000 bd. ft. each, be acquired to break the hold of foreign shipping monopoly on wood export. Each carrier shall cost $140 dead weight tons or $1,680,000 (₱6,720,000) a piece or a total requirement of ₱20,160,000.

A breakdown of the required investment outlay is indicated below:

(In million pesos)

	1967	1968	1969	1970	Total
Wood processing industry	₱33.0	₱33.0	₱23.6	₱13.3	₱102.9
Six integrated wood processing plants	13.3	13.3	13.3	13.3	53.2
Logging equipment	3.6	3.6	3.6	-	10.8
Refinancing	9.4	9.4	-	-	18.8
Cargo carrier	6.7	6.7	6.7	-	20.1

In addition to the investment outlyy proposed for the wood industries, it is also envisioned that the government, through its appropriate agencies and financial institutions, extend the following assistance:

(a) Initiate a move towards the formation of effective marketing organizations to handle logs and other wood products;

(b) Removal of the 7 percent sales tax on all domestic sales of logs and institute in its place a 7 percent tax on log exports; and

(c) Provide technical assistance such as management know-how and skilled knowledge to the industry. In this connection, the strengthening and expansion of the functions of the Forest Products Research Institute is also recommended, to enable it to offer training courses to further improve the skills of technical men working in the wood sector. The government should exert efforts to have the proposed ECAFE conceived regional training center established in the Philippines, considering our surplus forest situation in relation to forestry sesources and wood product needs of the region as a whole. Also, representation should be made with the Asian Productivity Organization to accommodate trainees from the Philippines in this particular field of specialization.

The provision of low interest long-term loans for the establishment of integrated wood processing plants, logging equipment and wood ship carriers is expected to increase the degree of log utilization and consequently reduce the cost of production, hasten the shift in emphasis by the wood industry from log exportation to wood processing, break the hold of foreign shipping cartels on the wood industry and reduce at the same time the present high freight rates that contribute significantly to the present high selling cost.

A marketing organization will be an effective medium for strengthening the industry.

The removal of the 7 percent sales tax on domestic sales is deemed necessary to provide the incentive for domestic processing activities and discourage log exportation gradually, by transferring the applicability of a similar tax on log exports.

The provision of technical assistance to the industry is a measure designed to increase productivity through training of manpower in technological know-how. It is considered tenable to increase production and thus lower cost by upgrading the level of skills. Efforts should be exerted to correct this deficiency by concentraining on the expansion and proper utilization of various research and training facilities being offered by organizations locally and abroad.

The principal wood processing industry in the Philippines may be divided into three categories, namely: saw milling, veneer manufacturing and plywood making.

(1) Saw Milling The first commercial scale lumber processing in the country was initiated during the Spanish regime. Since then the industry has grown substantially in size

and in 1946 it reported a production of 86.4 million bd. ft. Output increased steadily to 500,000,000 bd. ft. in 1964.

The latest available data estimates a total of ₱82,000,000 as the amount invested in the lumber business. Lumber finds market both locally and abroad where the former consumes nearly 92 percent of the total output while the (rest) 8 percent of the total production is absorbed by the latter.

(2) Veneer and Plywood The veneer and plywood industry portrays quite a different picture. There are today 35 firms engaged in the manufacture of veneer and plywood with an installed capacity of 805,000,000 sq. ft. of plywood and 928,000,000 sq. ft. of veneer. Production of plywood and veneer reached 570,000,000 sq. ft. and 632,000,000 sq. ft., respectively, in 1964. Out of this, 305,000,000 sq. ft. of plywood and 452,000,000 sq. ft. of veneer were exported, while 265,000,000 sq. ft. of plywood and 180,000,000 sq. ft. of veneer were consumed locally. Domestic consumption of plywood has been increasing at an average rate of 4.6 percent annually. Tables VIII.12 and 13 shows the relative positions of domestic consumption and exports to production of lumber, veneer and plywood from 1960 to 1964.

Table VIII.12 - PRODUCTION AND EXPORT OF LOGS AND LOCAL CONSUMPTION FOR FY 1960-64

(In 1000 bd. ft.)

	LOGS		LUMBER			
Year	Total Production	Exports	Production	Exports	Local consumption	Log available for plywood & veneer production
1960	2,696,718	1,401,993	445,129	55,438	328,787	849,596
1961	2,782,716	1,460,086	384,792	41,792	399,498	937,838
1962	2,871,120	1,722,749	406,093	42,116	363,956	742,278
1963	3,251,265	1,947,637	482,047	38,474	443,572	821,581
1964	2,771,311	1,926,022	499,942	39,068	460,874	345,347

Source: Philippine Chamber of Wood Industries Annual Report, 1965.

Table VIII.13 - PRODUCTION OF VENEER AND PLYWOOD EXPORTS AND LOCAL CONSUMPTION FOR FY 1960-1964

(In thousand sq. ft.)

Year	Veneer production	Exports	Local consumption	Plywood production	Exports	Local consumption
1960	254,231	214,055	40,175	324,026	179,281	144,445
1961	164,695	121,495	43,200	213,376	110,291	103,085
1962	398,927	251,800	147,127	316,734	144,714	172,019
1963	738,244	337,013	401,231	400,342	194,462	205,880
1964	632,827	452,423	180,040	570,936	305,398	265,537

Source: ibid.

The aggregate investment in the different wood processing industries is shown below.

Type of Industry	Capital Investment[a]
Lumber	₱ 82,000,000.00
Plywood	100,000,000.00
Veneer	100,000,000.00
Total	₱282,000,000.00

[a] Investment in logging totalling ₱120 million is not included.

(3) Problems and Prospects While wood processing has developed into an important industry and enjoyed a reasonable degree of success in recent years, it is, however, beset with some problems. These problems are summarized as follows:

(a) Stiff competition in the export market;

(b) Shortage of adequately trained personnel to meet the increasing requirements of the industry;

(c) Lack of financial resources for meeting long and short-term needs;

(d) Onerous governmental policies and regulations especially at line agency level; and

(e) Control by aliens of the marketing of wood products.

The present situation finds the domestic wood market saturated with products such as lumber, veneer and plywood. The only alternative, therefore, is the offshore market which implies venturing much more into the highly critical and competitive market areas.

Plywood production in its beginnings in the country was confronted both by technical and cost problems. Through the sustained efforts of plywood manufacturers, basic improvements were instituted resulting in a successful breakthrough in technology and in the export market.

Presently, the low level of profitability is due mainly to the keen competition posed by Japan, Korea and Taiwan. To survive this intensifying competition requires most importantly the reduction of production as well as marketing costs. It is estimated that on the average the cost of production in the Philippines is higher by 15 percent compared to Japan and the present freight rates from the Philippines to the United States are on the average higher by 28 percent than those shipped by Japan to the US market. Apparently, the cost of Philippine plywood is higher than Japanese plywood. The factors responsible for the disadvantageous position of Philippine products in the export market are as follows:

(a) Low utilization of logs (50 percent) while in other countries it goes as high as 70 percent or more;

(b) Competing countries have adequate bottoms while the Philippines depends mostly on foreign vessels; and

(c) The Philippine wood industry is still behind other countries in technology.

As regards the last item, the acute shortage of skilled technicians will be felt increasingly as more processing plants are established.

In addition to the stiff competition met by Philippine wood product in the world market, another major difficulty confronting the industry is the rising financial requirements of its current operations as well as its expansion program.

Some of the policies and regulations emanating from the government line agencies appear onerous and do not provide the desired requirements towards a healthy development of the wood industry. An example is the granting of insufficient area and allowable cut which can sustain the requirements of a wood processing plant. There is also the requirement imposed by the Bureau of Forestry for licensees to put up a wood processing plant within two years after a timber license had been granted. Another regulation which is more of a disincentive is the granting of short-term licenses. This policy does not encourage holders to plan any long-range development program for cutting, conservation and reforestation.

Most of the problems being encountered by the industry are not insurmountable. With proper government guidance, support and assistance, such problems may very well be hurdled. It is the aim of this program to provide guidance and assistance in bringing about a healthy growth of the wood processing industry specially for export thereby assuring the economy a potential additional source of foreign exchange resources for further development.

f. Pulp and Paper Industry The proposed four-year development program envisages the establishment of an integrated pulp and paper mill with an annual rated capacity of 70,000 metric tons. Additional pulping mills are also proposed in order to balance the existing local pulping and paper milling facilities. The investments for balancing is included in the program under expansion of industries.

With the commercial operation of a large paper mill in Mindanao before the end of 1966, the total annual paper milling capacity of the country would be 244,000 metric tons. Add to this amount 70,000 metric tons which is the capacity of the proposed mill, the expected total paper milling capacity by 1970 would be 314,000 metric tons.

The domestic per capita consumption of paper and paper products in 1964 was 17.0 lbs. If per capita income is estimated to increase annually at the rate of 2.2 percent and the country's population by 3.2 percent, then by 1970 the consumption of paper and paper products shall reach 330,500 metric tons.

g. Small-Scale and Cottage Industries The program envisages an aggressive and vigorous campaign to intensify the promotion and development of small-scale and cottage industries by strengthening the institutional arrangements for the development of the sector.

The investment outlay includes funds for the public sector totalling ₱111.2 million for the period 1967 to 1970 and ₱92.5 million for the private sector or a total outlay of ₱205.3 million. The public sector investment will cover current expenditures and capital outlays of the National Cottage Industries Development Authority (NACIDA), the agency created by law which is charged with the responsibility of promoting the development of cottage industries.

The private investment outlay will include equity investment of small-scale and cottage industry entrepreneurs and loan funds that may be made available by the NACIDA bank and other government and financial institutions.

The investment program for the small-scale and cottage industries during the program period is shown below:

Sector	1967	1968	1969	1970	Total
1. Public	17.6	26.1	32.0	37.1	₱112.8
2. Private	18.0	25.0	24.4	25.0	92.5
Total	35.6	51.1	56.4	62.1	₱205.3

Notwithstanding the dearth of statistics showing the contribution made by small-scale and cottage industries to the economy in terms of employment, production and income, it is recognized that when fully developed, small-scale and cottage industries could easily become a potential source of employment and income especially in rural and urbanizing areas.

The NACIDA has reported that as of December 1965, a total of 20,393 handicraft industry entrepreneurs have registered with their office to enable them avail of the benefits provided by law in the form of tax holidays, loans and assistance in marketing. and others. Of the registered handicraft entrepreneurs, 5,427 have been granted loans in the amount of ₱1.6 million. What is more significant, however, is that during the three year period ending 1965, sales of cottage industry products netted the sector nearly ₱1.2 million in export receipts and close to ₱1.8 million in the domestic trade.

It is anticipated in the coming years that the sector will surpass past performance. Much, however, depends on the effective work that the NACIDA and other implementing agencies shall do in pushing through their objective of stimulating economic activity in the rural areas. Toward this end, NACIDA's scope should be broadened to cover the development of small-scale industries. A bill expanding the present functions of the NACIDA to include the development of small-scale industries should be considered to better serve the best interest of the sector. Included in the program for small-scale industries is the investment support to developers of industrial estates. The establishment of industrial estates will ensure a desirable pattern of development of small-scale and medium-size enterprises.

h. The Mining Industries The proposed four-year plan for the further development of the mining industry takes into consideration the significance of inter-industry relations especially between manufacturing and mining. The mining development program, therefore, gives due emphasis to the conversion of some of the principal metallic and non-metallic minerals into intermediate and other products based principally on the growth of domestic market demand for manufactured end-products. The metallic mineral industry largely depends on the behavior of world market prices. The country's total output of metal ores and concentrates are designed for the world market. The country does not get the corresponding additional benefits from the ores and concentrates exported. Were they processed and manufactured locally into various metallic products, the contribution of metallic mining industry to output, income and employment will increase tremendously. Only gold, silver, and quicksilver are treated on the local smelter.

The immediate aim of the mining program is to fit itself more and more to the vertical integration of some manufacturing industries and gradually supply the local producer market with various kinds of metallic and non-metallic intermediate goods. After this stage has been achieved, exports of metallic manufactures will be the next target.

This mining program, therefore, proposes the establishment of smelters and refineries in the country to achieve the foregoing objective during the program period. Such project proposals in manufacturing which have been treated elsewhere in the manufacturing program include the establishment of two integrated steel mills, a copper smelting and refining plant, the exploitation of the laterite deposits at the Surigao mineral reservation, the establishment of a gold refinery, production of ferro-alloys, ceramics, glass and other non-metallic manufactures including cement. It is this market for minerals that the further development of the mining industry aims to supply.

The mining investment plan is a combined private and public investment program involving a total capital outlay of ₱548.33 [illegible] million, broken down into $46.65 million in foreign currency and ₱361.72 million in local currency. The private sector takes the larger share of the required total investments representing 96.05 percent or ₱526.58 million as against the ₱21.75 million being proposed for the public sector. Details of the mining investment program are shown in Tables VIII.3, VIII.4 and VIII.5.

(1) Gold and Silver The biggest quantity of precious mineral metals produced in the Philippines is gold and silver. Gold dominates silver output value-wise. The average annual gold production for the past five years totaled 415,000 ounces. Gold and silver are always associated with and traditionally shipped to the United States for refining. There is no primary silver-producing mine in the Philippines. To meet the anticipated demand for gold and silver by the proposed gold refinery plant to be established as recommended in the manufacturing program, the production of gold and silver should reach about 520,200 ounces and 1,173,900 ounces, respectively, by 1970.

Combining the proposed investment program for gold and silver production with the by-product copper, zinc and molybdenum, the total investment requirement has been estimated at ₱81.2 million including the foreign exchange component of about $14.1 million. The peso portion amounts to about ₱24.9 million.

(2) Iron The manufacturing program considers high priority the establishment of two integrated iron and steel smelters with a combined rated capacity of 360,000 metric tons annually. This capacity will require the plants to utilize iron ores amounting to about 885,000 metric tons.

The average annual production of iron ore from 1961 to 1965 totalled 1,337,472 metric tons all of which was exported. With the combined rated capacity of the proposed iron and steel smelters, the iron ore requirement is estimated to reach 950,000 metric tons annually. This will have to be met by increasing investment and activity in the mining industry. The full operation of these steel mills will gradually reduce the importation of processed and semi-processed iron and steel products. To keep the export market and supply local demand, iron ore production is expected to increase to approximately 1,622,400 metric tons annually.

The mining of iron ore must undergo further development because of advances in technology in the treatment of ores such as the concentrating and pelletizing processes for the production of new products. The Philippine Iron Mines is now converting low-grade iron ore into pellets in its beneficiating and pelletizing plants requiring about 750,000 metric tons of iron ore annually.

(3) Magnetite Sand Filmag (Phil.), Inc. has initiated the exploitation and exportation of beach magnetite sand. The successful application of the direct reduction process in treating beach magnetite sand has attracted the interest of many private companies to venture in the establishment of a plant adopting the said process to produce sponge iron. The country's magnetite sand resources have been estimated at 14,589,000 metric tons.

(4) Chromite The chromite industry is faced with quite a different problem. While the Philippines is the largest producer of refractory chromite in the world, local producers hardly have any power to influence world market prices. Consolidated Mines, the largest world producer of chromite,proposes to improve the quality of its products by establishing a crushing and grinding plant and expanding its fines plant.

The estimated annual production of chromite ore totals 657,000 metric tons. The proposed expansion program in mining anticipates to increase tonnage output to about 713,400 metric tons by 1970.

The proposed setting up of plants to produce ferro-chrome, chrome chemicals and ferro-alloys as recommended in the manufacturing program will enhance the position of this mineral.

(5) Copper The Philippines has the best position in the inventory of copper ore reserves than other members of the ECAFE region. Copper output in this country during the last five years averaged about 56,615 metric tons a year. The country's copper ore reserves have been estimated at about 355,291,007 metric tons with a weighted average analysis of 0.86 percent copper metal content.

The copper smelting plant being recommended in the manufacturing program will have a rated annual capacity of 14,000 metric tons of copper metal. The output of this plant will eliminate the importation of copper metal of about 4,040 metric tons yearly and enable the country to export the excess.

The establishment of the copper smelter and refining plant will increase copper ore demand to about 75,500 metric tons a year.

(6) Nickel The small amount of nickel produced in the Philippines comes from Acoje Mining Company as co-product of chromite concentrates. It has a total reserve of about 784,700 metric tons. The laterite deposit in Surigao consists of 2.69 billion metric tons of nickel. The two sources of nickel combined will give a total reserve of about 2.7 billion metric tons.

The manufacturing sector considers the establishment of a plant to process the laterites in Surigao into nickel paste which will contain a weighted average analysis of 1.38 percent nickel. The proposal is rated to produce about 10,000 to 40,000 metric tons nickel per year. This projected output of nickel cake or paste will require about 900,000 to 3,000,000 metric tons of laterite ore.

(7) Manganese. The proposed development of the steel industry will increase correspondingly the demand for manganese. In quantitative terms, this will mean an increase in manganese ore production of about 51,100 metric tons to provide the needs of the metallurgical and chemical industries.

(8) Zinc. This mineral constitutes the biggest by-product in the treatment of copper and in gold mining. The proposal to set up an integrated zinc smelter plant will increase the demand for the mineral to 10,000 metric tons annually to supply the zinc requirement of the five existing galvanized iron sheet plants.

(9) Coal The Bureau of Mines has recently tested the coking qualities of coal which includes the newly discovered reserves in the Malangas coal project in Zamboanga del Sur. The Bureau of Mines reported the probable utilization of these reserves to produce coke for iron smelting. An exploration project currently being conducted jointly by

Table VIII.14 - ESTIMATED PRODUCTION GOAL IN MINING FY 1966-67 TO FY 1969-70

(In thousands)

Minerals	Form	Unit	FISCAL YEAR			
			1966-67	1967-68	1968-69	1969-70
Metallics						
Precious metal:						
Gold	Metal	Ozs.	463.5	491.9	503.3	520.2
Silver	"	"	944.3	1,027.8	1,090.4	1,173.9
Base metal:						
Cadmium[a]	"	MT	0.01	0.02	0.03	0.03
Copper[a]	"	"	66.5	73.1	79.6	82.9
Lead[a]	"	"	0.13	0.13	0.14	0.15
Molybdenum[a]	"	"	0.11	0.13	0.14	0.15
Zinc[a]	"	"	3.4	4.6	5.8	6.3
Quicksilver[a]	"	Flask[b]	2.9	3.3	3.5	4.2
Chromite ore		MT	586.8	637.9	688.6	713.4
Pyrite cinder		"	21.3	24.5	25.7	28.2
Irone ore		"	1,512.6	1,587.7	1,638.9	1,758.3
Manganese ore		"	44.9	49.2	52.8	58.2
Nickel ore		"	-	600.0	900.0	1,200.0
Non-metallic						
Clay		MT	234.3	302.9	401.1	441.7
Coal		"	240.0	480.0	576.0	748.8
Gypsum		"	42.7	49.1	61.8	74.5
Lime, limestone & dolomite		"	2,354.4	2,542.7	2,924.1	3,450.4
Pyrite		"	57.7	62.9	69.2	78.6
Silica		"	296.3	367.2	448.4	555.8

a/ Estimated metal content.
b/ A flask is equivalent to 76 lbs.
Source: Bureau of Mines, [illegible].

Table VIII.15 - SUMMARY OF MINERAL PRODUCTION
FY 1960-61 TO FY 1964-65

Minerals	Unit	TOTAL		FY 1960-61		FY 1961-62	
		Quantity	Value in pesos	Quantity	Value in pesos	Quantity	Value in pesos
TOTAL			2,064,376,434		294,221,265		381,625,801
Metallics			1,364,260,939		182,147,713		255,567,888
Precious metals			371,919,132		57,060,686		71,193,786
Gold	Ozs.	2,074,101	357,326,757	417,645	55,037,258	427,077	69,297,514
Silver	"	4,292,972	14,556,211	1,105,595	2,023,428	735,140	1,876,520
Platinum	"	253	27,539	-	-	177	14,438
Palladium	"	277	8,625	-	-	215	5,314
Base metals			992,341,807		125,087,027		184,374,102
Cadmium (metal)	MT	37	473,763	-	-	-	-
Copper "	"	283,077	590,018,783	46,956	60,962,161	54,598	103,410,710
Lead "	"	472	341,714	119	60,299	83	52,126
Molybdenum "	"	489	4,382,545	59	333,690	105	768,319
Nickel "	"	20	83,524	-	-	16	58,995
Zinc "	"	18,135	13,723,567	5,712	3,159,775	1,986	1,497,914
Quicksilver "	Flask	13,879	10,656,588	3,181	1,507,097	3,108	1,796,403
Chromite ore	MT	2,744,334	166,987,732	673,261	34,382,685	621,982	37,815,774
Pyrite cinder	"	44,775	1,002,884	-	-	-	-
Iron ore	"	6,687,360	197,278,461	1,117,487	23,623,499	1,357,187	37,800,845
Manganese ore	"	84,870	7,392,246	20,849	1,057,821	14,996	1,173,016
Non-metallics		[illegible]	[illegible]		112,073,552		126,057,913
Cement	Bbls.	31,200,827	416,145,081	5,337,161	61,715,217	5,939,558	69,095,897
Gypsum	MT	109,400	3,657,990	10,276	558,382	10,342	421,535
Coal	"	707,176	17,703,483	144,705	3,305,056	164,135	3,964,016
Rock asphalt	"	26,473	407,067	12,355	284,165	4,999	114,977
Sand, gravel, salt & other non-metallics			262,001		46,210,732		52,461,488

Ozs. - Troy ounce of 31.103496 grams.
Flask - A flask of mercury is equivalent to 76 lbs.
MT - A metric ton equals 2,200 lbs.

Table V.[illegible].15 - Summary of Mineral Production (cont'd.)

Minerals	Unit	FY 1962-63 Quantity	FY 1962-63 Value in pesos	FY 1963-64 Quantity	FY 1963-64 Value in pesos	FY 1964-65 Quantity	FY 1964-65 Value in pesos
TOTAL			405,542,005		466,078,089		516,909,274
Metallics			284,717,061		311,185,542		330,642,735
Precious metals:			71,512,58[illegible]		84,757,889		89,394,185
Gold	Ozs.	[illegible],892	68,792,279	426,228	81,009,793	432,259	83,189,913
Silver	"	660,341	2,703,895	846,118	3,748,096	945,778	4,204,272
Platinum	"	76	13,101	-	-	-	-
Palladium	"	62	3,311	-	-	-	-
Base metals:			213,204,475		226,427,653		243,248,550
Cadmium (metal)	MT	15	147,925	12	117,128	11	208,710
Copper "	"	59,196	127,421,374	63,310	142,404,649	59,017	155,819,889
Lead "	"	66	48,057	94	89,169	110	92,063
Molybdenum "	"	105	927,228	131	1,171,259	88	1,182,049
Nickel "	"		24,529	-	-	-	
Zinc "	"	5,60[illegible]	4,130,231	2,792	2,656,907	2,036	2,[illegible]8,740
Quicksilver "	Flask	2,543	1,536,903	2,710	1,762,015	2,337	4,0[illegible]4,170
Chromite ore	DMT	473,020	30,937,758	409,523	32,366,647	476,548	31,484,868
Pyrite cinder	"	14,825	373,966	13,056	274,172	16,894	354,746
Iron ore	"	1,423,516	46,457,328	1,473,551	45,040,487	1,315,619	44,356,302
Manganese ore	"	10,340	1,199,176	3,644	545,220	35,041	3,417,01[illegible]
Non-metallics			120,824,944		154,892,547		186,266,539
Cement	Bbls.	5,528,645	70,975,933	6,035,980	88,798,835	8,359,483	125,559,199
Gypsum	MT	22,711	659,939	37,552	1,126,524	28,519	855,610
Coal	"	171,214	4,390,917	130,988	3,464,578	96,134	2,578,916
Rock asphalt	"	9,119	207,9[illegible]7				
Sand, gravel, salt & other non-metallics			44,554,230		61,502,610		57,272,814

the Bureau of Mines, NEPOC, and the United Nations Special Fund Assistance is now going on to prove the sufficiency of the coal reserves. The proposal in the manufacturing program to set up an additional coking plant provides the market for expansion in coal mining.

(10) Limestone, Dolomite, Lime, Clay and Silica. The proposed increase in the mining of these various other minerals has been considered in relation to the Manufacturing Program.

Policies and Measures for Industrial Development. The role of the government in stimulating and sustaining the development of the manufacturing and mining industries has already been outlined in detail in Part I of the Program (See Chapter VI, the Strategy of Development). On account of the importance of the indirect, and in certain cases, the direct role of the government in promoting economic development, the foregoing strategy of industrialization will be referred to in this section.

It is well-known that in the context of existing policies and measures, it would be extremely difficult to realize the pattern and rate of growth of industrialization envisaged under the program. Current policies such as those we have adopted as an approach to economic progress are inadequate for fostering development in an essentially free enterprise economy.

It is needless to state that the private investor is in business mainly for profit. Therefore, the logical strategy of development to pursue is to assure that the industries the government desires to foster be given adequate and reasonable assistance to make them profitable.

On the selective basis, preferred industries should be:

1. given authority to deduct organizational and pre-operating expenses in five to ten years;
2. authorized to accelerate depreciation of fixed assets for a specified period to reduce taxable income;
3. permitted to carry over net operating losses for purposes of determining taxable income;
4. exempted from tariff duties and compensating tax for their importations of capital equipment;
5. accorded adequate tariff protection and safeguarded from the effects of smuggling, dumping and similar practices that place the industry in a disadvantageous competitive position vis-a-vis foreign products; and
6. extended declining tax exemption for imported raw materials in five years.

Investors in the industries sought to be encouraged should be accorded sufficient incentives through:

1. exemption from income taxes on capital gains from the sale or transfer of capital assets if proceeds are invested in the selected enterprises;

2. exemption from taxes for a specified period on dividend payments out of profits derived from the selected enterprises; and
3. exemption of foreign investors and foreign credit from withholding taxes on returns from the investment or loan.

It is equally recognized that it is not enough to make the industries sought to be promoted profitable to be attractive. It is also necessary that the government should take measures to help provide the long-term investment funds for development. In the past, the government geared the lending policies of the Development Bank of the Philippines and the financial institutions under its control such as the GSIS, the SSS and the Philippine National bank to the requirements of industry. However, the resources made available have been far from adequate to meet the needs of industrial development, let alone the requirements of the other sectors. The DBP should be authorized to expand its resources for long-term loans for development through the sale of securities.

The government should also revive the practice employed through the defunct Industrial Development Center of making funds available to commercial banks for relending to investors in preferred industries. An alternative method is the industrial loan guarantee scheme.

For meeting the foreign exchange requirements for development, the government has through its financial institutions been mobilizing foreign resource borrowings from abroad including loan from the World Bank for hydroelectric power development and the Export-Import Bank for the development of the iron and steel industry. Similar arrangements should be initiated for the development of other basic industries such as basic chemicals, ferro-alloys, machine building, and shipbuilding industries.

The government through the DBP, can also, if required, guarantee loans extended to private investors who are natural born citizens of the Philippines.

Although as a matter of policy, it is ultimately more advantageous not only from economic considerations, but also from the point of view of preserving our economic freedom, to resort to foreign loans rather than to encourage direct foreign investment, it will in the short run be advisable to permit the direct participation of foreign investors in the country's development program. However, the conditions under which foreign investors will be permitted to carry out productive activities in the country must be such that while providing for incentives to attract them, the terms shall be duly protective of our national economic independence.

As a matter of policy, future foreign investment shall be permitted on a joint venture basis, to a maximum of 40 percent foreign participation. The section on the Strategy of Development in Part I of the Program outlines the terms under which direct foreign investment should be welcome, as follows:

1. Repatriation of the full amount of capital investment from foreign sources including reinvested profits attributable to capital from such sources;
2. Remittance of profits attributable to capital from foreign sources;
3. Remittance of payments of interest and principal of foreign loans and other foreign obligations;
4. Freedom from compulsory transfer of ownership of assets except through expropriation by the government for a public purpose with just compensation, and remittance abroad of any sums of money received as such compensation;
5. Freedom from requisition of assets, except in the event of a state of war or national emergency and only for the duration thereof and with just compensation;
6. Fair treatment in accordance with international law in respect of assets seized, attached or controlled by the government in case of armed conflict with the country of such foreign nationals;
7. Protection from infringement, misuse, or misappropriation of patents, trademarks, copyrights, trade names and other proprietary rights; and
8. Employment of foreign nationals, in administrative, supervisory, technical or advisory positions, not in

excess of ten percent of the total personnel of the enterprise, within a period of five years from the organization of the enterprise.)

The foregoing conditions that are proposed to govern the participation of foreign investors should be formalized through a Foreign Investment Law as a means not only of defining the national policy on this vital subject but also of stabilizing the conditions under which foreign investors will operate by way of participating in the country's development effort.

Strengthening Existing New and Desirable Industries. The drive towards industrialization during the last two decades which was spurred by government policies had been none too discriminating thus resulting in the emergency of industries of varying degrees of relative importance to the economy and in overcrowding in certain industries like cotton textile. Prior to foreign exchange decontrol and the termination of tax-exemption privileges, many of the investors in new industries were realizing attractive returns on their investments. The cost of imported raw materials being much lower than that prevailing after foreign exchange decontrol, there was enough operating capital to permit operation to full plant capacity or asmuch as the market could bear. After decontrol, production cost increased considerably and investors who overexpanded in the same industries or who invested their profits in other industries suddenly found themselves in difficulty and their enterprises in a distressed state.

Although normally the government should not as a matter of policy assist investors who have through their own action brought their enterprises into financial difficulty, it would be reasonable for the government to extend assistance in the present case since full decontrol, which is the principal cause of present difficulties for industries that import their raw material requirements, was not anticipated.

However, the refinancing of distressed industries should be undertaken on a selective basis in order to help place the industrial structure on a sounder basis. The guiding principles to follow are:

1. that the industrial firm is potentially viable in terms of the market prospect for its products with the possibility that in the near future its raw material needs can be met from local sources and its management is sound; and
2. that the industry is of the type with prospect of having a forward and backward linkages effect. Thus, the establishment of iron and steel industry can stimulate the development of iron and steel products industries on one hand and the expansion of the iron mining industry on the other. Food processing will provide a market for agricultural production and a market for food containers.

In view of the long-range objective of placing industries on a sounder organizational basis especially for those that will have to compete with foreign industries producing the same products and in order to upgrade internal management as a further basis for increasing industrial efficiency, it is envisaged to utilize the refinancing program as an instrument for effecting organizational and management improvement.

The Role of Government Corporations in Industrial Development. It is not unlikely that for all the incentives that are proposed to be provided to the private sector there will be industries regarded basic to the long-range development of the economy in which investors will be unwilling, unable or otherwise will fail to develop. In these cases, if after the government has allowed adequate time and opportunity to attract prospective investors, there still is no evident response, the government itself should singly or jointly with private entities engage directly in the industrial ventures.

The policy that the government should as much as possible keep out of business or refrain from engaging in industrial enterprises should not be construed to mean that the government should not absolutely take a direct hand in promoting industries of a pioneering nature, ...

For the last decade or so, the government has not actively gone into new forms of industrial pioneering because of public reaction to the idea of the government being in business. Yet, the task of government pioneering is far from over. There will be scope for government leadership for many years to come since it is expected that there will always be industries which are essential but will be untouched by the private sector.

However, where the government has to undertake an industrial pioneering venture, it has to depart from the usual approach in which the government corporation directly organizes, manages and operates the business. The government corporations have fallen under the grip of politicians. The public corporations become dumping grounds for political protegees and their transactions have been unduly interfered with by politicians. As a result their efficiency had been impaired, production costs increased and losses invariably incurred.

The new approach to government pioneering in industry shall be one that engages on a contractual basis, the services of management firms which shall organize, manage and operate the enterprise as any private business, free from any political interference. In this way, it would be possible to determine the real economics of production and establish basis for assisting, if still necessary, the industry at least in its formative stage.

As soon as the pioneering function of the enterprise shall have been achieved, it shall be disposed of to the private sector under conditions that are mutually equitable to the government and the private investors, giving preference to investors who from considerations of financial, technical and management capacity, will assure the business success of the enterprise and maximum complementary benefits to the economy as a whole.

Other Institutional Arrangement. Of paramount importance to all development efforts is the provision by government of adequate research facilities and technical assistance insofar as new products and new processes are concerned including efforts at quality production and product standardization. Along this line, the government will continue to strengthen and intensify industrial research services with the end in view of contributing to the steady advancement and growth of our industries.

Chapter IX

THE INFRASTRUCTURE AND PUBLIC UTILITIES PROGRAM

To give the economy the capability of carrying out the expansion of its agriculture and industry and at the same time provide our fast growing population with the basic services and facilities for the uplift of its living standards is the basic rationale for the maintenance, improvement, and expansion of the country's infrastructure and public utilities.

The infrastructure and public utilities development program is divided into three categories: namely, (1) Power and Water Resources; (2) Other Public Works including the Transport Network; and (3) Transportation and Telecommunications.

This sectoral program will require the heaviest and most substantial capital investments when compared with the other sectors of the overall program as it has to provide the facilities for increasing the productivity of the economy in all sectors.

The infrastructure and utilities program includes the country's transportation network and transport units made up of roads, railroads, ports and harbors, airports, motor vehicles, ships and airplanes. The program also includes a system of telecommunications to service domestic and overseas needs, the inadequacy of which is a major retarding force to a country's growth. It embraces the facilities the country needs for controlling and harnessing its water resources for the prevention of floods, for irrigation, for power, and for providing households and industry with continuing and reliable supply of clean water. It treats of the country's capacity for generating, transmitting and distributing electric power in the most economical and efficient means to all the regions that require it. It encompasses finally, the buildings, plants and other facilities provided by the government for housing government offices, public hospitals and schools, and for low-cost shelter to low-income families. Because of its close relation to social progress, the program for building of schools, hospitals, and low-cost housing is included under the Social Development Program.

Current Situation

The country's infrastructure facilities are wholly inadequate. Its public utilities are so inefficiently organized and distributed that their inadequacy is greatly emphasized.

We do not have enough roads and highways and those that we have are poorly maintained. Our railroad is in a deplorable state. Much is still to be done to improve our port and harbor facilities in order to give incentives for the improvement and expansion of our domestic and overseas shipping fleets. The undue concentration of present interisland ships on a few lucrative routes has resulted in cut-throat competition to the detriment of the small shipping lines.

Our overseas fleet can carry only about 17 percent of the value of Philippine foreign trade which is equivalent to only 15 percent of the total volume. This results in a big loss of foreign exchange used for transporting the greater portion of country's exports and imports.

Our airports are unsuited to the requirements of the progressive growth of air transportation. In most airports, runways, taxiways, and platforms are deficient in strength, surface and length. The absence of night landing facilities often causes costly flight cancellations and prevents aircraft from being used more intensively to reduce operational costs.

The water supply systems serve only half of the population; electric power reaches only the cities and a limited number of municipalities and it not available to the larger portion of the population. Our irrigation systems serve less than one-third of our rice lands.

Objectives

To give proper support to the economic development of the country, with emphasis in increased production in agriculture and industry, the infrastructure and utilities program aims to achieve the following objectives:

1. To expand the irrigable area in the country thru the construction of additional irrigation facilities to make possible the attainment of higher levels of agricultural production;

2. To provide adequate, reliable, and cheap power supply to as wide an area as is possible to meet both the immediate and long-run requirements of industrial and non-industrial users;

3. To facilitate the marketing and distribution of agricultural and industrial products through an integrated system of transportation network-roads, railways, ports and harbors, and airports - and coordinated movement of transportation units like ships, motor vehicles, aircrafts and rolling stock;

4. To increase Filipino participation in the carriage of foreign trade thru the expansion of Philippine overseas shipping;

5. To construct flood control facilities; and,

6. To generate employment opportunities in rural areas thru public works projects to minimize rural-urban migration and thus help reduce the social problems concommittant to overpopulation in urban area, particularly the Greater Manila area.

Guiding Principles

The management of the public investment for expanding and improving the physical infrastructure and public facilities should take into account the requirements of the development program. The physical infrastructure for development is primarily intended to make investments in agriculture, manufacturing, mining, and trade and commerce less costly and more efficient, in addition to meeting the social needs of the people.

The first criterion in planning the infrastructure projects is to determine where the center of prospective production is situated or where the existing infrastructure is inadequate. Promising agricultural, mineral and logging areas should be made accessible to the market through a system of roads, or in the case of island centers of production, through the construction of ports and harbors. In these cases the investment in infrastructure development is followed by a corresponding increase in the production of goods so that the possibility of inflation is thereby reduced.

The program accepts with practical realism the practice inherent in our political system where the various districts get a share of public funds intended for development through the institution of the "pork barrel". This fact does not, however, necessarily mean that the resources be invested indiscriminately.

The second guiding principle that should be adopted is that in spending development funds within each political district the relative usefulness or urgency of the projects to be developed should be taken into account, as for instance, an irrigation system taking precedence over a feeder road, the latter over a market building, etc.

The program also attaches priority for completion of unfinished projects such as roads or public buildings where work has to stop by reason either of financial or political consideration. No returns are derived from partially completed projects and delays in their completion represent a waste of scarce resources.

Since infrastructure and public utilities projects are also aimed at providing employment opportunities, the program should provide that employment should not be unduly sacrificed in favor of mechanization, to the extent permissible by the project schedules and physical requirements.

POWER AND WATER RESOURCES The development of power and water resources is vital to the agro-industrial growth as well as to the elevation of the standard of living of the nation. The availability of cheap and adequate power is always an important consideration in the establishment of manufacturing industries. It will also provide a cheap source of hydroelectric power and the facilities needed for agricultural development for the improvement of the well-being of the people.

To the extent possible, the maximum utilization of the potentials of river basin resources will be pursued. The development shall be along the multi-purpose concept where the objectives of irrigation, power generation, flood control and water conservation are integrated.

1. Electric Power Generation The electric power capacity of the country increased more than tenfold since 1941, increasing from 72,488 kilowatts capacity to the present 831,000 kilowatts. Despite the tremendous rise in the country's electric power output, however, the need to augment existing capacity is still great. It is, likewise, necessary to spread the benefits of electricity to as wide an area of the country as possible, since

facilities now existing serve only the more developed localities and urban centers.

As of 1964, the extent of electrification in the Philippines was about 42 percent. Out of 1,371 cities, towns and municipal districts in the country, only 577 towns were enjoying the benefits of electric service. Of this number, only 265 towns had 24-hour service. The rest got less than 24 hours service, mostly during night-time only. Most of the systems generally cover only the poblaciones.[a]

There is disparity in the degree of electrification on the provincial level. While some provinces have a degree of electrification of over 90 percent, there are provinces with less than 10 percent. Batanes does not have a single municipality with electric facilities. Abra is only 3.7 percent electrified, with only one town having electricity out of 27. Mt. Province, where the Ambuklao-Binga hydroelectric plants which provide a substantial power supply in Manila and Central Luzon are located, ironically has a degree of electrification of only 9.8 percent, equivalent to four towns with electric service out of 37 towns and municipal districts in the province. These are only a few of the poorly electrified provinces in the Philippines.

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[a] On the basis of the number of customers served by the electric utilities of the country, it is estimated that a little less than 5.0 million people or 17% of the population benefit from electric services.

While electric energy for rural residential consumption is considerably wanting, there is an equal need to sustain the increasing requirements of industries. Energy consumed by industries in the Philippines has risen steadily. In 1954, 23.7 percent of the energy generated by the country's electric supply was absorbed by industries; in 1958, it was 32.0 percent and in 1964, it increased further to about 36.0 percent. These figures do not include energy consumption of industries which generate their own power.

In the Manila area, industrial sales of electric energy lagged behind commercial and residential sales up to 1957. From then on, industrial sales rose briskly, so that by the end of 1964, industrial sales was 1.4 times as much as residential sales and 2.3 times as much as commercial sales. Unless, therefore, sufficient additional electric generating plants are established, efforts to attain the desired industrial growth will be restrained.

The production of energy for the eight year period from 1956-1964 is as follows:

(In million kilowatt-hours)

Year	Hydroelectric	Thermal	Total
1964	1,553.883	2,225.208	3,779.191
1963	1,444.624	1,962.018	3,406.642
1962	1,246.464	1,763.582	3,010.046
1961	1,186.787	1,368.525	2,555.312

Year	Hydroelectric	Thermal	Total
1960	1,224.004	1,035.468	2,259.472
1959	687.795	1,225.622	2,023.417
1958	748.432	1,004.986	1,753.418
1957	691.851	800.530	1,492.381
1956	482.835	790.283	1,273.118

Source: National Power Corporation

The output of hydroelectric systems has been always about the maximum that can be generated by the water supply available in the different plants. The thermal electric production has been what is necessary to augment the hydroelectric production to meet the demand of the market. The rise in the production of electricity was brought about by the increasing requirements of industry and the growing demand of the population for the facilities of modern life. Installed capacity of the different plants as of December 31, 1965 was 831,000 kilowatts (hydroelectric - 291,000 kilowatts, steam power - 453,000 kilowatts, diesel - 87,000 kilowatts).

It is reiterated that use of electricity is limited to the metropolitan centers, cities and a number of larger municipalities. The large mass of the people living in the smaller municipalities and remote regions are not served with electricity. Moreover, most of the plants serving the smaller communities are small, generally fuel burning, of high cost and of limited possibilities for expansion.

a. Projected Development

(1) Production of energy A load growth of 12 percent per year is envisioned during the program period. This is expected to be sustained by the construction of additional power plants. The Angat Hydroelectric Project is currently under construction and is expected to be completed in 1967. It will have a capacity of 218,000 kilowatts and an average energy generation of 524 million kilowatt-hours annually.

Maria Cristina Unit No. 3 with a capacity of 50,000 kilowatts is expected to operate in the early part of 1967. In anticipation of the increased energy requirements in Northern Mindanao, it is expected that the staged development in the Maria Cristina plant calling for the operation of Unit 4, also 50,000 kilowatts shall be completed by mid 1968.

The Manila Electric Company has under construction a unit (Tegen No. 2) of 100,000 kilowatts capacity which will be completed by December of this year. Another thermal unit (Gardner Station No. 1) with a capacity of 150,000 kilowatts is proposed for construction by Meralco and is planned to start operation in the first half of 1968. There is also an initial order by the Electrification Administration for diesel electric generating units with an aggregate capacity of 8,000 kilowatts. In addition to the above, the following electric plants are proposed to be constructed during the next four years:

Plants	Cost (Million pesos)	Date of operation
N P C		
Bataan Thermal Plant No. 1	₱ 66.35	1969
Agus II, Unit No. 1	67.89	1970
Small Plants	5.00	-
MERALCO		
Gardner No. 2	67.00	1969
Steam Unit No. 1[a]	98.00	1970
Electrification (NPC) (transmission lines and sub-station only)		
Ilocos Region	19.80	1968
Central Luzon, Phase II	7.03	1968
Laguna-Batangas, Phase II	2.87	1968
Angat-Caliraya Line	10.65	1970
Southern Luzon Stage 1	13.22	1969
Southern Luzon Stage 2[a]	15.80	1971
Southern Luzon Stage 3[a]	7.51	1971
Southern Luzon Stage 4[a]	15.65	1972
Zambales Electrification[a]	3.11	1971
Cagayan Valley Stage 1[a]	19.90	1973
Other lines	10.63	
Total ------	₱430.41	

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[a] Construction to be started during the program period.

Of the total investment of ₱594.69 million in power development, ₱288.98 million will come from the public sector and ₱305.71 million from the private sector.

(2) Transmission and distribution The transmission and distribution network presently in use, cover very limited areas of the country. To extend this transmission and distribution network to as many municipalities as possible would entail large capital outlays. This would result in excessive prices for the electricity due to limited demand in many of the areas to be served. Extension of the distribution network can be made to cover as much as possible some of the more promising centers and at the same time take advantage of the economy of size by using the energy from the larger hydro-electric or thermal stations. This shall be undertaken in conjunction with the other development programs such as irrigation, industrial development, and rural electrification. Care will have to be taken in the determination of the rates of charges for electricity to insure that it is commensurate with the investment as well as the costs of production and distribution.

Accordingly, the following projections are made of the installed capacities of electric plants during the next four years:

In Kilowatts

	TOTAL	FY 1967	FY 1968	FY 1969	FY 1970
Hydroelectric	370,000	268,200	50,600	50,600	600
Thermal and diesel	763,600	102,000	152,000	157,000	352,600
TOTAL	1,133,600	370,200	202,600	207,600	352,600

To attain the objectives stated above, the schedule of investment is shown below:

(In million pesos)

	FY 1967	FY 1968	FY 1969	FY 1970	Total
Hydroelectric plant	64.49	43.50	18.87	0.50	127.36
Steam electric plants	72.41	40.71	67.01	89.10	269.23
Transmission lines and substations	23.17	23.50	21.60	23.12	91.39
Distribution system	23.71	25.75	27.86	29.39	106.71
Total	183.78	133.46	135.34	142.11	594.69

(3) Rural electrification The rural electrification scheme envisions a complete and orderly synchronization of various electrification projects in order to maximize the distribution of electric energy at the most economical cost. For this purpose, transmission lines of the National Power Corporation shall be constructed where technically and economically feasible. Among the electrification projects of the NPC included during the program period are Phase II of Central Luzon, Laguna-Batangas, Phase II; Ilocos Electrification; and Southern Luzon Electrification.

Where the NPC transmission lines end and beyond the Electrification Administration (EA) assisting the small independent private plant operators shall begin. At the present time, the lending capacity of the EA is limited both in amount and terms of payment. In order to make the activities of EA more attractive to the small plant operators, it is proposed that the charter of EA be amended to increase its revolving fund of ₱5.0 million a year to ₱10 million a year at 3 percent interest. Operators should be allowed a maximum rate of return of 12 percent from the present allowable 6 percent for facilities put up with EA funds.

Communities near transmission line projects of the NPC may easily be connected with these lines. However, in places where NPC lines are not technically and economically feasible to extend, there is need of adopting an economical pattern of development. In this respect, the organization of a private electric utilities development and finance corporation is desirable. This entity would be in a position to influence groups of small plants through its lending activities to organize into larger systems where economy of size, diversity and skilled management would be brought to bear.

To further assist the small electric plant operators in their quest for capital, the government is taking steps to negotiate through the Department of Foreign Affairs with the West German Government to make available at least part of DM 40 million (₱40 million) West German capital aid originally intended for shipping but which has not been taken advantage of by the shipping industry, to other types of industries including, among others, the electric power industry.

For a more effective implementation of the rural electrification program, the EA should be under the administration and supervision of the Office of Economic Coordination. At the present time, the EA is under the Office of the President which arrangement renders the implementation of rural electrification difficult. With EA under the OEC, the activities of both EA and NPC could be coordinated and thus simplify the task of extending electric service to the rural areas at the least possible expense. Project implementation of the two agencies would then be geared to the projects' optimum utilization by the various sectors of the economy.

(4) Development of other sources of power Although the country has vast water resources the number of projects that can be economically developed for hydroelectric purposes are limited. What is causing much concern is the fact that output of hydro plants are affected by the fluctuation of river flow during the dry season. For this reason, there is need of studying other energy sources for possible harnessing and development.

Along this line, the possibility of putting up a nuclear power plant is being seriously considered. Preliminary studies made by the Philippine Atomic Energy Commission indicate that such a plant might be feasible in the early 1970's. By that time the cost of nuclear power might be competitive with the cost of conventional sources. Likewise, studies are being conducted on coal resources and geothermal sites for electric power development.

b. Specific Power Projects The major projects that will be undertaken and/or continued to be undertaken during the program period are the following:

(1) Angat Multipurpose Project. As stated elsewhere this project with an electric power capacity of 218,000 kilowatts, is scheduled to be completed in mid 1967. It will, however, be partially operative by the end of 1966 to deliver 50,000 kilowatts. Being a multipurpose project, it combines the objectives of water power generation, water supply, irrigation, and flood control. The dollar requirement for this project is obtained from a loan extended by the World Bank while the peso counterpart is generated from local sources.

(2) Bataan Thermal Plant Unit with a capacity of 150,000 kilowatts will be established at Limay, Bataan to supply the power needs of the area especially its industrial plants. To finance this project $12.0 million and ₱18.35 million will be required. The former is to be obtained from the World Bank and the latter from local sources. Initial construction of the project is expected in FY 1967 and operation thereof in December, 1969.

(3) Maria Cristina Units Nos. 3 and 4. The existing Maria Cristina Plant has two units of 25,000 kilowatts each. In view of the increasing power needs of the growing industrial community in Northern Mindanao, Units Nos. 3 and 4, with a capacity of 50,000 kilowatts each are being installed.

Unit No. 3 is estimated to cost $3.7 million in foreign exchange and ₱19.3 million in local currency. The entire foreign exchange is being financed from a loan secured from the World Bank.

The unit is expected to operate in the early part of 1967.

In the construction of the civil works of Unit No. 3, the main civil works for Unit No. 4 have been included to minimize interruption in the operation of the plant during the actual construction of Unit No. 4. Simultaneous with the installation of Unit No. 4, regulation works will be constructed at the main source of the Agus River, Lake Lanao, to regulate the flow available to the hydro plant.

The combined cost of the MC Unit No. 4 and the regulation works projects is $2.4 million in foreign exchange and ₱24.8 million in local currency. The entire foreign exchange will be financed from a loan also from the World Bank. Unit No. 4 is expected to be operational by mid 1968.

(4) Also in the Maria Cristina Area, Agus II, Unit I will be constructed in FY 1967 for operation in FY 1969 and 1970. It will have an installed capacity of 50,000 kilowatts. Unit I of Agus II will cost $9.39 million and ₱30.33 million or a total of ₱67.89 million. This plant will further support the power requirement of the Iligan Steel Mill.

(5) Under completion in the Manila Area is Tegen Station No. 2 of Meralco which is estimated to cost ₱43 million. This project will increase the capacity of Meralco in meeting the gradual rise in energy consumption in Manila. The project is expected to be operative by December 1966.

(6) Another MERALCO project designed to sustain the power needs of its service area is a 150,000 kilowatt generating unit (Gardner Unit No. 1) which is estimated to cost ₱82 million. The project will be placed on the stream by early 1968.

(7) To effect maximum utilization of the output of power plants programmed for construction, electrification projects will also be undertaken. These electrification projects include Central Luzon Electrification Project, Phase II, Laguna-Batangas, Phase II; Angat Caliraya Line; Ilocos Electrification Project; Southern Luzon Electrification Project; and Zambales Electrification Project. The Cagayan Valley Electrification Project (stage I) will be completed beyond the program period. Total requirements for these electrification projects is estimated at ₱115.54 million.

c. Recommendation It is necessary to delineate the activities of the public and private sectors in electrification and remove irritants that may possibly work against rather than promote the growth of the electric power industry, in particular, and the entire economy, in general. As a matter of general policy, the National Power Corporation should confine its activities in the generation and transmission of electric power. The distribution phase, on the other hand, should be left wholly to franchise holders who must exercise great care to charge only reasonable rates. Only in cases where it is shown that private plant operators charge unreasonable rates will the NPC be allowed to cater direct to end-users. This is especially true where customers are industries requiring large blocks of power for their operation.

2. Irrigation One of the most pressing problems of the country today is how to cope with the food requirements of its rapidly growing population. In the case of rice, the government for the past three years resorted to importation involving staggering amounts which cause a heavy drain on our foreign exchange resources.

Experience shows that unless the basic biological requirements of the rice plant is met by adequate irrigation, rice production in the Philippines would always remain short of demand. This is so because the effects of improved seeds, fertilizers, and improved farm practices would be minimal without sufficient supply of irrigation water.

The Philippines has a high average annual rainfall but the monthly distribution is relatively uneven, hence not a dependable source of water for rice culture. Irrigation facilities are absolutely necessary if the country is to produce enough rice for the people.

Increases in the national production of rice in the past were mainly due to the expansion of cultivated area. However, this mode of increasing rice production cannot go on indefinitely because of limited arable land. Since the area suitable to lowland rice culture is limited, the remaining area available for rice production are the uplands where the yields are relatively low. Inspite of the expansion of the cultivated area in the lowlands and the cultivation of areas in the uplands for rice production, the total yield still remains below the level of the national requirement. The deficiency in rice, therefore, can best be met through intensive farming where irrigation is a vital element rather than through extensive farming where irrigation may be non-existent.

In view of the absence of irrigation facilities and the present state of disrepair of existing systems, large tracts of land lay idle during the dry season months. It is estimated that, of the irrigated area of 789,118 hectares during the 1965 wet season, only about 30 percent or roughly 236,735 hectares were planted to a second crop during the dry season. Expansion of irrigation facilities and repair and rehabilitation of existing systems would result in the expansion of the available effective crop area without increase in the physical area of land. The construction of new irrigation systems will enable lands now under cultivation but without irrigation to produce rice at least twice a year.

a. Present Status of Irrigation As of December 31, 1965, a total of 789,118 hectares of land is served by irrigation under the following categories:

(1)	Communal irrigation systems . . .	476,740 hectares
(2)	National gravity irrigation system	226,498 hectares
(3)	Pump irrigation system	57,780 hectares

(4) Friar lands irrigation system . . . . 24,600 hectares
(5) Municipal irrigation systems . . . . 3,500 hectares
Total . . . . . 789,118 hectares

Approximately 82% of the total area under gravity irrigation are ricelands.

b. The Program The irrigation development program envisions the repair and rehabilitation of existing gravity irrigation systems, completion of unfinished projects and construction of new gravity systems. Work on plans for the construction and integration of reservoir dams wherever and whenever possible will be initiated. It is also expected that a total of 400 irrigation pumps would be installed within the program period.

This irrigation program will require a total investment of ₱126.14 million of which ₱89.02 million shall be the peso cost and ₱37.12 million the dollar cost, as shown below:

(In Million Pesos)
(₱4.00 = $1.00)

CATEGORY	FY 1967			FY 1968			FY 1969		
	₱	$	Total	₱	$	Total	₱	$	Total
Nat. Gravity System	27.67	1.52	29.19	20.97	13.98	34.95	24.18	16.12	40.30
Communal Irrigation	1.00	-	1.00	1.00	-	1.00	1.00	-	1.00
Pump Irrigation	1.00	-	1.00	1.00	-	1.00	1.00	-	1.00
Total	29.67	1.52	31.19	22.98	13.98	36.95	26.18	16.12	42.30

CATEGORY	FY 1970 ₱	FY 1970 $	FY 1970 Total	FY 1967-70 ₱	FY 1967-70 $	FY 1967-70 Total
Nat. Gravity System	8.2	5.5	13.7	81.02	37.12	118.14
Communal Irrigation	1.00	-	1.00	4.00	-	4.00
Pump Irrigation	1.00	-	1.00	4.00	-	4.00
Total	10.20	5.5	15.7	89.02	37.12	126.14

Note: Dollar components is already converted to pesos.

The above requirements will be financed from the following sources:

Source	Amount
1. Local Cost	
a) General fund	₱ 15.00
b) Bond fund	74.02
	₱ 89.02
2. Dollar cost	
a) Reparations	₱ 37.12

In terms of physical goals, the repair and rehabilitation of 77 existing gravity irrigation systems will put to irrigation an additional 39,730 hectares to the present service area of 226,498 hectares at an investment cost of ₱7.08 million. In FY 1967, 13 projects under construction covering 97,900 hectares shall be completed at a cost of ₱18.31 million.

For Fiscal Years 1967-70, the program also envisions the construction of new irrigation projects which will irrigate 122,450 hectares to be covered by 42 national gravity irrigation systems, 16,000 hectares by communal irrigation systems and 6,000 hectares by pump irrigation systems or a total of 144,450 hectares.

The irrigation program in terms of coverage and cost is shown in the following table:

Table IX. 1 Irrigation Program
FY 1967-1970

	Present Service Area (Has.)	Add'l area to be irrigated (Has.)	Cost (million pesos) pesos	dollars	Total million pesos
1. Repair and rehabilitation of 77 existing projects	226,498	39,730	7.08	-	7.08
2. Completion of 13 projects under construction	-	97,800	18.31	-	18.31
3. New projects for construction	-	122,450	55.63	37.12	92.75
4. Communal irrigation	476,740	16,000	4.00	-	4.00
5. Pump irrig.	57,780	6,000	4.00	-	4.00
Total	761,018	277,980	89.02	37.12	126.14

Among the major projects for implementation are the following:

(1) Magat River Irrigation Project (east side extension)

The proposed Magat River Irrigation Project (east side extension) is located in the province of Isabela, about 370 kms. north of Manila. This project is designed to serve ricelands in the municipalities of Santiago, San Mateo, Cabatuan, Luna, Cauayan and Alicia.

The proposed scheme of development is to construct a headgate at the main canal of the existing system. This headgate will be able to divert sufficient water to irrigate fully 12,000 hectares during the wet season. This project which is proposed to be started in FY 1967 and finished by FY 1968 will entail a total investment of P4.20 million consisting of P2.52 million in local cost and P1.68 million in foreign exchange.

At present, the whole area of 12,000 hectares depends on rainfall for its water requirements and produces a comparatively low yield. The entire area lies idle during the dry season for lack of irrigation facilities. Upon completion of this project the area would be assured an adequate supply of water during the wet season which is expected to increase the yield. Approximately 3,200 hectares can be served during the dry season.

(2) Cabatangan River Irrigation Project This project is located in Quezon province and will serve the municipalities of Maria Aurora, Baler and Dipaculao.

The scheme of development envisages the construction of diversion works across the Cabatangan river to divert the water to both sides by means of the north and south headworks.

The civil works will cost approximately ₱6 million consisting of ₱2.24 million in foreign exchange and ₱3.76 million in local currency.

The even distribution of rainfall in this area permits the planting of two crops of rice a year. However, the rainfall during the dry season is not sufficient to provide the required moisture of the plants.

With the establishment of the irrigation project, the whole irrigable area of 6,400 hectares will be fully irrigated during the wet season and about 3,600 hectares will be served during the dry season. It is expected that the yield will be higher since sound agricultural practices may be employed with an assured water supply.

(3) Bao River Irrigation Project The service area of this project is located northwest of Ormoc City in the island of Leyte with the Bao and Baleon rivers as the sources of water. At present, about 4,800 hectares are planted to rice during the wet season but only one-half of this area is fully irrigated. During the dry season only 2,300 hectares are planted to rice. With the establishment of the irrigation project, however, it is expected that the whole of 4,800 hectares could be fully irrigated and

planted to rice for both seasons.

The project will cost approximately ₱3.20 million consisting of ₱1.20 million in foreign exchange ₱2.00 million in local currency.

(4) Rugnan River Irrigation Project This project is the first national gravity irrigation project proposed for construction in the province of Lanao del Sur. It will serve an area of 4,700 hectares covering the towns of Tamparan, Maguing, Gata, Taraka and Mulondo. During the wet season, the whole service area is planted to rice. However, the entire area is left idle during the dry season due to lack of water. The construction of the project is expected to make possible the planting of two crops annually in the whole service area. It is estimated that the civil works will cost approximately ₱3.00 million consisting of ₱1.26 million in foreign exchange and ₱1.74 million in local cost.

(5) Maranding River Irrigation Project Maranding, a wide valley of around 13,000 hectares, is known as the rice granary of Lanao del Norte. Approximately 6,500 hectares of this valley is the proposed service area of the project. Of the 6,500 hectares service area, only 4,040 hectares are utilized during the wet season and about 1,670 hectares during the dry season. With the establishment of the irrigation project, however, it is expected that the 6,500 hectares will be fully irrigated during both seasons.

The present average yield per cavan in the area is only about 30 cavans per hectare. Without adequate supply of water, the use of fertilizer is not sufficient to increase rice production. Taking into consideration the inherent qualities of the said land, it is expected that with sufficient supply of water, rice yields of up to 60 cavans per hectare could be attained.

The project area is well traversed by roads. There is a port at Iligan City which is about 80 kilometers from the project area. RCA warehouses are present in the region. Excess products are expected to be marketed in Iligan City and the neighboring provinces of Occidental Misamis and Oriental Misamis.

The scheme of development envisages the construction of a run-off river type of diversion works across the Cabayugan river just below its confluence with the Salug river and about one kilometer from the Kapatagan-Malabang road. Construction of the civil works will take about two years.

This project which is proposed to be started in FY 1967 and completed in FY 1968 is estimated to cost ₱4.10 million consisting of ₱2.70 million in local currency and ₱1.40 million in foreign exchange.

(6) Baco-Bucayao River Irrigation Project This project will serve about 10,000 hectares within the municipalities of Naujan and Calapan in the province of Oriental Mindoro. Rice is the main crop of the place. During the wet season, 9,000 out of the 10,000 hectares are planted to rice which grow practically under upland conditions with a very low yield. During the dry season, only 1,000 hectares are planted to rice and 2,000 hectares to corn.

The project is expected to fully irrigate the whole 10,000 hectares and make possible the planting of rice for two seasons with a sizeable increase in yield.

The proposed scheme of development is to construct a run-off river type ogee-shaped solid masonry diversion dam measuring 1.30 meters high and 130 meters long across the Bucayao river and divert sufficient water for two crops of rice a year. The distribution system, will consist of a main canal and several laterals and sub-laterals, with a total length of 121 kilometers. The project is estimated to cost approximately ₱5.50 million of which ₱3.50 million will be in local currency and ₱2.00 million in foreign exchange. Estimated time of completion is two and a half years from by 1968.

(7) Kabacan River Irrigation Project This project is located in Cotabato province and will serve initially an area of 4,300 hectares in the municipality of Kabacan.

During the rainy season the entire service area of 4,300 hectares on the south side is planted to rice with an average yield of only 25 cavans per hectare. During the dry season, an insignificant area is planted to corn and other minor crops.

When this project is completed in FY 1967, the entire service area will be provided with sufficient irrigation water during the wet and dry seasons. With ample supply of water, it is estimated that the average yield will increase to 45 cavans during the wet and 50 cavans during the dry season.

The scheme of development is to construct an ogee-type overflow solid masonry dam across the Kabacan river at barrio Kilada, about 8 kilometers from the town of Kabacan and approximately 500 meters downstream of the confluence of the Kabacan and Mateo rivers.

The total estimated cost of the project is ₱3.50 million of which ₱2.36 million is in foreign exchange and ₱1.14 million is in local currency. The construction of the diversion works was started in FY 1964 with an initial release of ₱780,000.

(8) Upper Pampanga River Project Proposed also for implementation during the program period preferably beginning FY 1968 is the upper Pampanga River Project. The plans for the project on a multi-purpose basis is a result of the joint NEC-AID Water Resources Survey Project. The project which will take 6 years to complete including one year for pre-construction activities is a very desirable plan both from the standpoint of benefits to be derived and financing.

The multi-purpose project would supply year-round water for the irrigation of 81,000 hectares of land 45,700 of which are presently irrigated only during the wet season; would provide 30,000 kilowatts of firm hydro-electric power capacity for an average annual generation of 232 million kilowatt-hours of electrical energy; would control flood flows originating above the Pantabangan damsite; would furnish municipal water to satisfy the year 2010 estimated requirement of municipalities in the project area; and would have facilities for the fish conservation and recreation.

The plan of development is directed towards the optimum use of the water and land resources of the Pampanga river basin. Project facilities would consist of the Pantabangan dam and reservoir, the Maringalo dam and reservoir, the Talavera diversion system, the Pantabangan power plant and transmission system and related irrigation, fish conservation and recreation facilities.

Project transmission facilities would consist of a 230 kilovolt line from the Pantabangan power plant to Muñoz, Nueva Ecija, where it would interconnect with the existing National Power Corporation 230 kilovolt line extending from the Agno river hydropower development to Manila.

The construction cost, excluding interest during construction, of all project facilities is estimated at ₱259.57 million. When the construction cost is amortized over a period of 50 years at 5% interest and amounts included for interest during construction, operation, maintenance and replacements, the annual project cost would be ₱18.82 million. Annual benefits for all project purposes is ₱84.72 million. The resulting benefit cost ratio is 4.5 to 1.

Three financing schemes have been proposed to finance the project. The most preferable, however, is the plan to secure 60 percent of the cost from AID at 2-1/2 percent, repayable in 50 years. The remaining 40 percent shall be borne by the Philippine Government.

c. Problems Irrigation development is mainly undertaken at present by two government agencies, namely: the National Irrigation Administration and the Irrigation Service Unit. The Presidential Assistant on Community Development (PACD) and the Agricultural Productivity Commission (APC) are also engaged in irrigation activities but on a limited scale.

The National Irrigation Administration created as an independent under RA No. 3621 and implemented by Executive Order No. 51 (1964) has jurisdiction over all national gravity irrigation systems and friar lands irrigation systems. It also provides technical assistance in the construction of communal irrigation systems. The Irrigation Service Unit, on the other hand, is still under the Department of Public Works and Communications and is charged with the construction and installation of pump irrigation systems. The PACD which had just been elevated to a Department level is engaged in community development projects including irrigation, among others. The APC also undertakes irrigation work in connection with its efforts to increase rice production.

The proliferation of agencies that handle irrigation activities result in independent planning, programming and investigation which could otherwise be coordinated under one office. Wasteful and unnecessary expenditures become inevitable because of uncoordinated efforts in investigation and survey. The situation gives rise to non-uniformity in procedures and policies. Moreover, the farmers and the public as a whole are confused as to which government agency to appeal to in matters of constructing new systems or improving existing ones.

d. Recommendations For a more effective coordination of the planning and implementation of irrigation activities, the National Irrigation Administration and the Irrigation Service Unit should be merged into a single agency. Under this set-up, economy in personnel and coordination of activities would result in a more efficient maintenance and development of irrigation. The task of gathering, collating, and verifying irrigation statistics would be facilitated and made on a continuing basis. Most important of all, the creation of a centralized organization for irrigation activities would result in the preparation of an over-all master plan for irrigation development which will consider the type of irrigation best adaptable for optimum utilization of the water resources available in a certain locality.

3. Water Supply Existing water supply facilities in the country today are far below the desirable level required not only to help protect the health of the people, but also to sustain the needs of industries and to effectively prevent conflagration. As of December 31, 1965, there were 1,144 waterworks systems, 2,021 developed springs and 19,588 artesian walls serving an aggregate population of 14.62 million people. Only one-half of the country's population enjoy the benefits of potable water.

In many of these places, water is not available in sufficient quantity.

The nagging problem of inadequacy of water supply is particularly acute in urban centers like Manila and suburbs, Davao, Baguio, Iloilo, and other centers of population. This serves as a deterrent to the expansion of existing industries and the establishment of new industries and commercial firms in these area. Moreover, because of the low water pressure brought about by insufficient supply, it is most difficult to put out fires and conflagrations - as was the sad experience in Manila and other cities during the past months, and most recently in Iloilo where a conflagration levelled one-fourth of the city and caused a damage of ₱50 million. An undesirable consequence of this situation is the increase of fire insurance rates.

The prevalence of water-borne-diseases in the country, particularly in the rural areas, is alarming. They are among the principal causes of death and illness. Likewise, the outbreak of other intestinal diseases is attributed to neglect in hygienic practices due to absence or insufficient supply of safe and potable water supply.

The water supply program envisions the extension of water supply services to a larger segment of the population and the improvement of present facilities. New waterworks systems will be constructed to serve the more densely populated areas in the country. Springs will be developed and artesian wells installed to provide the people in the more remote rural areas with safe and reliable sources of water supply.

The work to be undertaken, together with the corresponding additional population to be served is shown in Table IX.2.

The proposed investments shown in Table IX.3 to support the activities to be undertaken will be tapped from the following sources:

Source	Amount (₱ million)
Bond fund	160.00
Loans	24.96

Republic Act No. 1383 placed all government waterworks systems under the control, direction, and supervision of NAWASA. However, the Supreme Court declared Republic Act No. 1383 as unconstitutional because it did not provide for effective payment of just compensation for the transfer of local government-owned waterworks system to NAWASA. Because of this ruling, several waterworks systems, some of which are in Cebu, Baguio, and Bacolod, are now operating outside NAWASA's jurisdiction.

On the basis of the ruling of the Supreme Court and in line with the policy to promote local autonomy, the NAWASA should return to the local governments the different waterworks systems that are still being operated by it and which have not been paid for. NAWASA shall, however, continue as a waterworks and sewerage development authority.

Among the existing waterworks systems, major improvement and

Table IX.2 - PHYSICAL GOALS ON WATER SUPPLY

Fiscal Year	Waterworks systems a/		Developed springs		Artesian wells		T O T A L	
	No.	Add. pop.	No.	Add. pop.	No.	Add. pop.	No.	Add. pop.
1967	163	318,000	300	150,000	1,000	250,000	1,463	718,000
1968	103	360,000	300	150,000	1,000	250,000	1,403	760,000
1969	105	1,960,000	300	150,000	1,000	250,000	1,405	2,360,000
1970	120	462,000	300	150,000	1,000	250,000	1,420	862,000
T O T A L	491	3,100,000	1,200	600,000	4,000	1,000,000	5,691	4,700,000

a/ Includes improvement and expansion of existing systems and construction of new waterworks systems.

In support of the foregoing activities, the investment shown below will be needed during the program period:

Table IX.3 - PROPOSED INVESTMENT ON WATER SUPPLY

(In million pesos)

Fiscal Year	Waterworks systems			Developed springs			Artesian wells			T O T A L		
	(₱)	($)a/	Total (₱)	(₱)	($)a/	Total (₱)	(₱)	($)a/	Total (₱)	(₱)	($)a/	Total (₱)
1967	42.12	27.28	69.40	1.20	0.30	1.50	4.00	2.00	6.00	47.32	29.58	76.90
1968	24.87	16.47	41.34	1.20	0.30	1.50	4.00	2.00	6.00	30.07	18.77	48.84
1969	9.12	11.96	21.08	1.20	0.30	1.50	4.00	2.00	6.00	14.32	14.26	28.58
1970	8.66	14.48	23.14	1.20	0.30	1.50	4.00	2.00	6.00	13.86	16.78	30.64
TOTAL	84.77	70.19	154.96	4.80	1.20	6.00	16.00	8.00	24.00	105.57	79.39	184.96

a Dollar components already converted into pesos.

expansion work will be undertaken for Manila and suburbs, Baguio, Davao, and Iloilo through the following major projects:

a. Expansion of Manila and Suburbs Waterworks Present facilities of the Manila and Suburbs Waterworks System have become inadequate and outdated. In many places, water is available only for a few hours during the night. While present requirement calls for 300 million gallons per day, the existing capacity is only 170 million gallons.

To provide the residents of Manila and suburbs with sufficient potable water, the government has launched a crash program intended to increase the water supply through the construction of additional aqueducts. New filtration units are being constructed to treat raw water; booster pumps will be installed to enable the water to reach the farthest point of the distribution system; reservoirs will be put up in strategic places to supply water during peak hours of the day: water mains of larger diameter will be laid and extended. In addition to expanding the present facilities, customers' service will be improved through the procurement and utilization of new equipment such as water meters, laboratory equipment, and others.

The expansion program for the Manila and Suburbs Water System will entail a total investment of ₱204.75 million consisting of ₱79.13 million in foreign exchange and ₱125.62 million in local currency. Of the amount, ₱4.90 million had already been spent for the construction of a 100 MGD floculation and sedimentation basin, sedimentation plant, and chemical mixing building and facilities all of which are now in operation. In addition, ₱6.77 million have been utilized for the construction of aqueducts and another 100 MGD floculation sedimentation basin. Work on the other expansion projects in the Manila System will be continued until completed in FY 1968.

In the meantime that this program of improvement is being vigorously pushed through, the government is likewise facilitating the construction of the Angat Multipurpose Project which is the principal source of water of the Manila System to the extent of 500 million gallons per day or 3 times the capacity now available from existing sources. Early solution to the water supply problem in Metropolitan Manila will therefore depend largely on a coordinated construction schedule between the improvement program of the Manila and Suburbs Waterworks System and the Angat Multipurpose Project, for which the National Waterworks and Sewerage Authority is contributing ₱21.5 million towards its construction cost.

(1) Marikina Project Plans had been made for the development of Marikina River on a multipurpose basis to cover water supply, power, irrigation, and flood control. However, in view of the inadequacy of existing water supply sources to provide Manila and suburbs with sufficient and reliable supply, there is need of making a re-study of the Marikina Project principally as a source of industrial-municipal water for

Metropolitan Manila. As an auxilliary activity, electric power generation may be developed at a minimum additional expense.

b. Baguio Waterworks The potential of Baguio as a vacation resort and tourist center is being suppressed by limited water supply. Already producing less, the Baguio Waterworks System is also suffering from considerable leakages and losses. The present permanent residents of Baguio require a daily supply of 2.32 million gallons, but existing facilities can deliver an effective supply of only 1.8 million gallons per day.

The water situation in Baguio is most acute during summertime. Visitors come and go to the City throughout the year, but the peak flow is during summer when about 100,000 vacationists are holed up in the place. Because of water shortage during summer, the yearly rate of increase in visitors tends to decline.

To remedy the situation, the expansion and improvement of the Baguio Waterwerks System is programmed not only to meet present requirements of permanent residents but also of visitors and tourists throughout the year. For this purpose, new water sources will be tapped. Additional pumping stations will be installed and reservoirs will be constructed. Main and distribution systems will be repaired to check leakages and losses, and additional lines put up to extend the coverage of areas being served. It is expected that the expansion program will be completed by FY 1969 at an estimated cost of ₱12.0 million. This investment will be financed largely from Reparations and bond funds.

c. Davao Waterworks Davao City is also in dire need of an adequate water supply. To augment available supply from present facilities, the collection of rain water is resorted to by residents.

The program to improve the Davao Waterworks System includes the tapping of a new source, the construction of a filtration plant to purify the water coming from this source, and the laying of larger mains to convey the water to the distribution network. The work is expected to be completed within the program period at a cost of ₱9.3 million.

d. Iloilo Metropolitan Waterworks The recent fire in Iloilo City, one of the most destructive ever to hit the country, underscores the urgency of improving the City's waterworks system. Damage caused by the fire which was not controlled due to low water pressure is estimated at ₱50 million.

The expansion and improvement of the Iloilo Metropolitan Waterworks System will require a total investment of ₱3.21 million in two years. When completed, an additional number of 90 thousand people will be benefited.

e. Problems

(1) Most local government-owned waterworks systems which have been transferred to the NAWASA are still unpaid up to the present time.

(2) The recurrent water shortage brings to the fore the need to explore additional sources of water supply.

f. Recommendations

(1) The different waterworks systems still being operated by NAWASA and which have not been paid for should be returned to local governments.

(2) A re-study of the Marikina Multipurpose Project principally as source of industrial-municipal water for Metropolitan Manila and possible electric power generation on a limited scale should be undertaken.

4. Flood Control Useful and precious rainfall water could be very destructive when structures are not provided for its controlled flow. In the Philippines where the intensity and duration of rainfall is among the highest in the world, the damage caused by floods averages about ₱40 million annually. These losses do not include the loss of human lives, livestock, breakdown in transportation and industry, and expenditures for relief and rehabilitation.

Damages caused by floods are attributed directly to human occupancy of fertile flood plains and river valleys. With the rapid agricultural and industrial development of normally flooded areas, these damages are bound to increase because of the ever increasing amount of damageable property that are placed within the reach of flood waters.

The government has been engaged in the construction of flood control and drainage projects and has spent millions of pesos in this undertaking. However, in view of the immensity of the area to be protected, the funds provided for in the Public Works Acts have never been adequate so that most flood control projects are still incomplete up to the present time. Also, completed projects become less efficient due to poor maintenance.

It is, therefore, imperative that the government should pursure a more vigorous program of maintenance and construction of integrated and well studied flood control and drainage projects with adequate funding support. Indirect benefits from the prevention of wasteful and costly damage to life, property and agricultural production will be much greater than the investment made for flood control.

a. Present Status As of December 31, 1965, there were 869 existing flood control and drainage projects protecting an area of 600,408 hectares, with an expenditure of ₱111,221,045.

There are now 317 projects all over the country which are partially constructed and need completion.

b. The Program For the quadrennial period 1967-1970, the Flood Control and Drainage Program envisages the completion and continuance of construction of the 317 projects which are currently underway.

Shown below are the estimated fund requirements by years for the program period:

(In million pesos)

FY 1967	**Peso**	**Dollar**	**Total**
1. Completion of 142 projects	16.54	1.84	18.38
2. Continuation of 131 active projects	24.67	2.74	27.41
FY 1968			
1. Completion of 146 projects	8.45	.94	9.39
2. Continuation of 152 active projects	34.25	3.81	38.06
FY 1969			
1. Completion of 47 projects	14.76	1.64	16.40
2. Continuation of 144 active projects	36.67	4.19	40.86
FY 1970			
1. Completion of 52 projects	11.08	1.23	12.31
2. Continuation of 102 active projects	37.18	4.13	41.31
Total	183.60	20.52	204.12

The above investment is proposed to be funded from the following sources:

1. Local cost:

(a) General fund	₱ 48.70
(b) Bond fund	155.42
Total	₱ 204.12

2. Dollar cost:

(a) CB (From gen. fund and bond fund	₱ 20.52

The benefits that would be derived from the above investment in terms of the number of hectares to be protected, number of population to be benefited and direct employment in men-days the projects will generate each year are shown below:

Fiscal Year	Area protected (ha.)	Population benefited	Employment generation	
1967	-	-	4,025,840	men-days
1968	30,300	235,300	5,183,560	" "
1969	46,500	258,700	5,256,580	" "
1970	60,400	317,700	4,809,030	" "
Total	137,200	811,700	19,275,010	" "

The salient features of the Flood Control Program call for the continuation and completion of several major projects, namely:

1. Manila Flood Control Project
2. Pampanga River Control Project
3. Agno River Control Project
4. Bicol River Control Project
5. Ilog-Hilabangan River Control Project
6. Cotabato River Control Project

(1) Manila Flood Control Project. This project is concerned with the protection of the City of Manila and its suburbs, the most progressive and highly developed urban area in the country, against periodic floods which cause enormous losses annually. The area covers approximately 5,000 hectares covering the City

of Manila, Pasay City, the Municipality of Makati, Rizal, and part of Quezon City.

The flood control problem involves two phases: First, the control of the flood flow of the Pasig River which flows through the heart of the City of Manila, and second, the construction of an adequate drainage system for the disposal of local storm run-off. The plan for the control of the Pasig River involves upstream control works supplemented by downstream works consisting of river walls and floodgates.

The estimated cost necessary to complete the Manila Flood Control Project is ₱149.40 million. However, in view of the numerous projects that need also to be completed and with the limited funds available, only ₱40,000,000 has been programmed for the quadrennial period 1967-70.

(2) Pampanga River Control Project (Including Rio Chico and Parna River Control Projects This flood control project which was started in 1939 involves the utilization of the huge flood retarding capacity of the Candaba and San Antonio swamps to protect the highly developed agricultural areas in Nueva Ecija, Pampanga and Bulacan. To confine the flow in the Candaba Swamps, a system of dykes or levees were proposed along the banks of the Pampanga and Angat Rivers. Supplementing this levee system, will be the opening of adequate outlets for the flood waters to flow from the Candaba Swamps into the Manila Bay, so as not to unduly raise the flood stages in the swamp.

The flood control scheme as evolved in 1939, covered the flood plains from Cabiao, Nueva Ecija down to Manila Bay. Present plans, however, have been extended to include flood protection works on the basin of the Chico River which is a major tributary of the Pampanga River. The estimated cost of the overall plan is ₱96.3 million. Of this amount, however, ₱33.3 million have been released to the Bureau of Public Works. An estimated expenditure of ₱63 million is still required to complete the project.

For the four-year period, the amount of ₱33 million has been programmed for the continuation of the construction of this project.

The Pampanga River Control Project will directly protect a total of 110,300 hectares out of a total flooded area of 221,000 hectares. Tangible annual flood damage to crops, public works and land improvement amounting to ₱5,053,000 will be prevented. It will also result in the reclamation of 2,770 hectares of swamp area in the Candaba Swamps. At an estimated net income of ₱220 per hectare of reclaimed area, this would mean an additional annual benefit of ₱609,000. The total annual benefits are summarized as follows:

1. Elimination of tangible flood losses ...	₱5,053,000
2. Reclamation	609,000
Total annual benefits	₱5,662,000

(3) Agno River Control Project. Like the Pampanga River Control Project, this project is located in the "Rice Granary Region" of the country and was also started in 1939. It aims to provide protection for 180,000 hectares of rich ricelands in Pangasinan and Tarlac with a population of 1,000,000 against the floods of the Agno-Tarlac river system. The flood control scheme envisions the construction of a system of levees and floodways supplemented by channel rectification, improvement and stabilization.

The estimated cost of the overall plan is ₱45.1 million. The total approved appropriation for the project is ₱21.1 million to that ₱24 million is needed to complete the project. An annual amount of ₱6 million has been programmed in order to finish this project during the program period.

Estimated annual benefits from the project are as follows:

(a)	Flood losses to property and other improvements	₱ 490,000
(b)	Agricultural crop losses	1,743,000
	Total annual benefits	₱ 2,223,000

(4) Bicol River Control Project. This project is concerned with the protection of the fertile Bicol River Valley, a populous and progressive part of the Bicol Region. The valley, embracing 23 municipalities including Naga City has an area of about 65,000 hectares, of which 20,000 hectares are productive agricultural

land. It is the primary source of the prime staple of the Bicol Region.

Briefly, the comprehensive plan of the Project calls for the following:

(a) Dredging of the lower portion of the Bicol River;

(b) Construction of a series of 15 cut-off channels;

(c) Construction of a system of levees with an aggregate length of about 100 kilometers; and,

(d) Construction of bridges, and the necessary drainage and allied works.

While the total estimated cost of the project is ₱14.7 million, it has a total prior appropriation of only ₱4,020,000. The project therefore still needs an additional appropriation of ₱10.7 million.

The total annual benefits, considering only the preventable annual tangible flood losses is shown below:

(a) Flood losses to property and other investments	₱ 452,000
(b) Agricultural crop losses	513,000
Total annual benefits	₱ 965,000

Floods in the valley last for weeks at a time. During these prolonged inundations the national road and the railroad line which is the main lifeline of the Bicol Region are flooded and impassable, marooning over half a million inhabitants of the southern Bicol Region.

The realization of this project, aside from preventing an annual flood damage of ₱965,000 will enhance the socio-economic condition in the entire Bicol Region.

(5) Ilog Hilabangan River Control Project   The project is designed to protect the municipalities of Ilog and Kabankalan in Negros Occidental embracing an area of about 10,000 hectares. The sugar industry in the basin is the hardest hit by the floods of the Ilog River, so that one of the most important and far reaching effects of the project will be on the foreign exchange economy of the country, sugar being one of the major exports.

The Ilog-Hilabangan River System is the longest in the island of Negros. It drains an aggregate watershed area of 1,558 square kilometers at the confluence of Ilog and Hilabangan Rivers.

The comprehensive flood control plan calls for the following:

(a) Construction of the Ilog-Buñgol diversion channel;

(b) Construction of 3 cut-off channels;

(c) Construction of the Ilog-Binicuil Diversion Floodway;

(d) Earthdikes shall be constructed along the banks of the Ilog River in order to confine the flood discharges within the river channel; and,

(e) Construction of a revetment wall on steel sheet piles measuring 1,000 meters along the banks of the Ilog River which will give direct protection to the thickly populated poblacion of Kabankalan.

The total estimated capital investment of the project is ₱11.3 million. With a total prior appropriation of ₱3.04 million, this project still needs ₱8.26 million to complete.

(6) Cotabato River Control Project The Rio Grande de Cotabato is the second largest river in the Philippines. It drains an area of 19,700 sq. km. Its major tributaries converge on vast marshes at Liguasan and Libungan from which the main channel flows through the river port of Cotabato thence through a short delta into Illana Bay.

The plan for controlling the floods of the Cotabato River centers on the utilization of the huge natural retarding capacity of the Liguasan Marsh which has a total area of 55,000 hectares, capable of absorbing 5.5 million cu. m. of flood flow per centimeter rise in the water level. It is proposed to construct a system of dikes and floodways to confine and divert the excess flood flows of the major tributaries, namely, the Pulangi, Maridagao and the Alah Rivers, into the Liguasan Marsh.

The port of Cotabato by virtue of its strategical location at the mouth of the Cotabato River is the natural commercial center of the province of Cotabato and the interior ports of the neighboring provinces of Lanao and Bukidnon. Its importance to commerce, however, hinges on the navigability of the Cotabato River especially the section extending from the town to the sea. Presently, the freight movement is limited to barges, tugboats and small river boats during high tide. The river improvements envisaged in this project is calculated to restore the navigability of the lower reach of the Cotabato River. This will not only save the Port of Cotabato from bankruptcy but will also stimulate development of cheap water transportation on the Cotabato River which is navigable up to the Liguasan Marsh, a distance of 65 kilometers.

It is estimated that restoration of the navigability of the Cotabato River will involve a yearly saving in freight costs alone of ₱1,230,000. Tangible annual flood damages to crops, public works and land improvement are conservatively estimated at ₱2,500,000. Completion of the project will also result in the reclamation of about 15,000 hectares of swamp land and make these available for agricultural production. Assuming a net income of ₱100 per hectare of reclaimed area, this would mean an additional annual benefit of ₱1.5 million.

The Cotabato River Control Project is estimated to cost ₱35.14 million. With a total prior appropriation of ₱3.74 million, the amount still needed to complete the project is ₱31.4 million.

c. Problems (1) In the implementation of flood control works, only construction funds are provided therefore. There is now an urgent necessity for maintenance funds especially for earth dikes which are frail structures that could spell disaster instead of providing flood protection. As an example, in the Pampanga and Agno river basin, there are at present over 210 kms. of earth dikes protecting agricultural lands and centers of population. The extent of these dike system is in such a stage that provision of maintenance funds has a greater priority over funds for the continuation of the construction of these dike systems.

(2) The unabated leasing or sale of public lands located in the deltas and along major waterways and streams is one of the factors causing the constriction and deterioration of natural flood outlet channels to the sea.

(3) Another problem is the squatters on the dikes and floodways who contribute greatly to the deterioration of these flood control works.

(4) The flood waters and whatever sediment and debris load carried down by rivers are the products of soil erosion in the watershed. Excessively sediment load aggravates flood damages, affects the stability of rivers and results in more expensive control works.

d. Recommendations (1) Provision of maintenance funds should be provided especially for earth dikes.

(2) Laws regulating the lease and sale of public lands along river banks and streams should be enacted.

(3) An effective reforestation program and proper watershed management should be adopted.

(4) Prohibition of squatters and encroachments on the dikes and floodways should be prohibited.

5. THE LAGUNA DE BAY COMPLEX This project which will be undertaken with assistance from the United Nations Special Fund is a "feasibility survey of the hydraulic control of the Laguna de Bay Complex and related developmental activities." The objective of the project is to determine the possibility of controlling the level of the lake to prevent recurrent floods in the metropolitan area and to protect the lake from saline water intrusion from the Manila Bay through the Pasig River.

An integral part of the project would be the study of the economic implications of controlling the lake level for agricultural, industrial and transport development of the Laguna de Bay area. This study would also be of a pre-investment character as it would provide policy guidelines, comparative costs, and benefit cost calculations, as well as preliminary project evaluation for public and private investments designed to accelerate industrial, agricultural and transport development in the region.

(a) Project cost The project which will take about two years to complete will have a total cost of $1.3 million. Of this amount, $725.4 thousand will be provided by the United Nations Special Fund while $550.5 thousand will be provided by the Philippine Government as counterpart support to the project.

Upon completion of the project, it is hoped that the government would be able to determine the specific works to be erected to control all year round the level of the lake, in such a way as to make thousands of hectares of additional land available for agricultural and industrial use, to make important areas of very valuable urban property immune from flood damage and to improve the transportation network linking Manila with the towns of Laguna and Rizal provinces.

PUBLIC WORKS Side by side with the development of power and water resources other public works projects such as highways, ports and harbors, airports, and national buildings shall be undertaken. Facilities for the different modes of transport will be harmonized so that they will be complementary, instead of competing, with one another. This complete circuit of transportation network, developed on an integrated basis, will thus facilitate the movement of goods and services between points in the Philippines. The construction of more national buildings will relieve the congestion now existing in many government offices and thus improve efficiency. Also, it will save the government on rentals of office buildings. While the opening of new roads will spur development in the areas affected, the improvement of existing ones will not only afford a more convenient and cheaper means of land transport, but will undoubtedly enhance trade and economic development. Airports and air navigation facilities will be expanded and improved to keep pace with the growth in air commerce. The ports and harbors development will lay stress on increasing the efficiency of present port and harbor facilities in order to reduce shipping costs and increase the area serviced by domestic and overseas shipping. This will contribute in no small measure to the economic, social and cultural integration of the various regions of the country.

1. Highways The prime component of the transport system in the public highways, the development of which, as a means of intra-island travel, is necessary for the agricultural, commercial, cultural and social betterment of the country. It is in this particular segment as against other means of transportation, where the growth of demand and volume in passenger and cargo traffic has been the highest. The insufficiency of roads and highways is not the only problem. An equally serious one is the poor condition of the highways that are already in use.

The inadequacy of the highway network can be gleaned from the following information:

As of June 30, 1965, the country has 56,651.60 kms. of roads as follows:

11,951.55 kms. - earth
34,984.13 kms. - macadam
8,273.98 kms. - asphalt
1,441.94 kms. - concrete

Along these roads are 11,653 bridges with a total length of 244,444.94 lineal meters, described as follows:

Type	Number	Length (l.m.)
Timber	6891	107,834.58 l.m.
U. S. army type	1642	49,372.28 l.m.
Masonry	356	4,316.31 l.m.
Concrete and steel	2754	82,921.87 l.m.

In general, the country's road system is grossly inadequate from the point of view of coverage. There are many areas of the country that are not reached by roads, thereby depriving the people in these areas of convenient means of communication and of transporting their products to the market outside their areas.

The Luzon area's existing kilometerage is approximately 27,000 or 48 percent of the total road network in the country. Some 1,000 kilometers of new roads are necessary to meet the road needs of the Luzon area. The Visayan Islands, on the other hand, with its 15,500 kilometerage, maybe considered to have adequate roads from the point of view of coverage. In Mindanao, the existing roads total 14,000 kilometers or 24 percent of the entire kilometerage but there is need for some 4,000 kilometers of new roads for the system to be considered adequate.

Based on an estimated one-half kilometer of road needed per 100 hectares, some 5,000 kilometers of roads are still necessary to provide an adequate roads system to the country's alienable and/or disposable lands.

The most serious inadequacy of the present highway system is the poor condition of the roads and bridges. Of the existing kilometerage, about 17 percent are paved, 62 percent surfaced with gravel or stone and some 21 percent unsurfaced. Since the length of roads with hard surfacing is very short, highways are generally in poor condition, especially after heavy rains and typhoons, and cannot adequately support the heavy traffic that go over these roads. The resulting high cost of road maintenance and heavy replacement and maintenance cost for the damaged vehicles increase the already high cost of transport.

a. The Proposed Program The four-year program for the public highways seeks to provide a structurally safe and sufficient network of major thoroughfares with supplementary integrable developmental road systems sufficient to meet the increase in traffic volume expected to be generated at that time. It is proposed to concrete about 2,476 kilometers of the principal highways, and to construct and improve 1,600 kilometers of secondary national highways that link adjacent provinces. Also programmed for construction are 27,500 lineal meters of permanent bridges. To be able to build and improve more roads and bridges, the construction of toll roads by private contractors wherever necessary and feasible, will be encouraged through the provision of incentives to the private contractors. This wil require amendments to R. A. 3741. It is also proposed to construct, in addition, 20,000 kilometers of feeder roads or "farm to market" roads to boost the rice and corn production program. The services of the AFP Corps of Engineers will be tapped to undertake this phase of the highways program.

The yearly funding requirements and fund sources are shown in Tables IX.4 and 5.

Table IX. 4 YEARLY FUND REQUIREMENTS INDICATING EXPECTED ACCOMPLISHMENTS FY 1967 TO FY 1970

Year	Program A[a] Length in kms	Program A[a] Cost in M pesos	Program B[b] Length in kms	Program B[b] Cost in M pesos	Program C[c] Length in kms.	Program C[c] Cost in M pesos	Program D[d] Number	Program D[d] Cost in M pesos	Program E[e] Length in l.m.	Program E[e] Cost in M pesos	TOTAL COST in M pesos
1967	176	20	300	15.0	5,500	16.0			6,000	180	231.0
1968	500	100.0	300	15.0	6,000	18.0	Ord 2		5,000	150	283.0
1969	800	160.0	500	25.0	8,000	24.0	Nos Ord	8.0	5,000	150	367.0
1970	1,000	200.0	500	25.0	8,000	24.0	2 Nos.	8.0	4,000	120	377.0
TOTAL	2,476	480.0	1,600	80.0	27,500	82.0	4 Nos.	16.0	20,000	600	1,258.0

a/ Main trunk highways b/ Second national highways c/ Permanent bridges
d/ Ferry boats e/ Feeder road construction

Table IX. 5 FUND RESOURCES FY 1967 TO FY 1970

(In million pesos)

Year	RA 917	RA 3500	Materials in inventory	Reparations ($1 - ₱4)	Borrowings Private financing	Borrowings Loans/Bonds	TOTAL
1967	47.5	2.5	1.0			180.0	231.0
1968	69.8	5.0		30.0	15.0	163.2	283.0
1969	67.0	5.0		45.0	15.0	235.0	367.0
1970	54.5	5.0		60.0	15.0	242.5	377.0
TOTAL	238.8	17.5	1.0	135.0	45.0	820.7	1,258.0

Table IX. 6 - FOUR-YEAR NATIONAL HIGHWAY PROGRAM FY 1967 TO FY 1970

(In million pesos)

Item	FY 1967	FY 1968	FY 1969	FY 1970	TOTAL
A. Main trunk highway to be concreted	20	100	160	200	480
B. Secondary national highways construction & improvement	15	15	25	25	80
C. Permanent bridges	16	18	24	24	82
D. Ferry boats	-	-	8	8	16
E. Barrio and feeder roads	180	150	150	120	600
TOTAL	231	283	367	377	1,258

b. Projects Envisioned to revitalize the agro-industrial growth of the country and improve the highway system are several impact projects, most notable of which is the Pan Philippine Highway System. The system is designed to provide the most direct land route between Luzon and Mindanao through the islands of Samar and Leyte.

Estimated to cost no less than ₱500 million, the project would involve the concreting of main highways from Aparri to Davao, widening, cutting of diversion routes on circuitous portions, replacement of temporary bridges with permanent structure, providing ferry service to span water gaps and construction of two spanning bridges to connect two interprovincial roads, and to cross two straits. It is proposed to be constructed over a period of ten or more years depending upon the financial resources of the government.

Some of the important projects along the route of the Pan Philippine Highway System are:

(1) The Manila North Diversion Road This project is a concrete highway with four lanes, totalling 27.6 kilometers with service or side roads. It starts from the old Bonifacio Monument in Quezon City, to the Tabang Junction in Bulacan. Designed not only to improve the traffic situation in the greater Manila area, but to upgrade the Metropolitan Road Network, the project is estimated to cost about ₱47 million.

(2) The Manila South Diversion Road Also a concrete highway, this road project is 6-lane from Manila to Epifanio de los Santos Avenue, and 4-lane from Epifanio de los Santos Avenue to Alabang, Muntinglupa. Besides helping clear Manila's major streets of its acute traffic problems, the multi-lane concrete highway project will help spread out the industrial boom to southern Manila. The project covers about 19 kilometers and is estimated to cost ₱31 million.

(3) Improvement of the Manila North Road This project is a main trunk highway which will connect the Pan-Philippine Highway at Tabang, Bulacan to Aparri, Cagayan. It traverses the rich central plains of Luzon, passing through Bulacan, Pampanga, Tarlac, Pangasinan, and the eastern part of the Ilocos Region going around the northern tip of Luzon up to Aparri in Cagayan. It has a total length of 664 kilometers of existing roads with three ferry crossings (Lukban, Pamplona and Calamaniugan) and 47 temporary bridges with a total length of 1,069 lineal meters. The cost of improving the existing road from Laoag City to Aparri, Cagayan from gravel to concrete, and replacing the temporary structures with permanent ones, is estimated at ₱30 million. Besides affording the commuters a more convenient means of travel, the project will hasten the development of Northern Luzon, particularly the Cagayan Valley.

(4) Improvement of the Davao City-Cagayan de Oro City Road via Cotabato City - Malabang-Maranding via Karomatan-Iligan City-Butuan City. This road project is the Mindanao semi-circumferential route starting from Davao City, the hub of business activities in Mindanao and an important port of entry of Southern Philippines, to Cotabato City, a fast developing community in Eastern Mindanao. The Cotabato-Lanao road links Cotabato, Lanao del Sur and Lanao del Norte via Malabang-Karomatan-Maranding and ending up at the junction of Linamon-Zamboanga Road. The coastal road from the junction begins, passing through the Kapatagan plains of Lanao del Norte down to Iligan City where the steel industry is located, proceeding to Cagayan de Oro City and finally ending up at the Pan Philippine Highway junction in Butuan City, famous for its timber industry.

The total length of the route considered for improvement is 422.60 kilometers. Also considered for immediate replacement to permanent structures are 89 bridges with an aggregate length of 1,756 l.m. Priority will, however, be given to the improvement of the Davao City-Cagayan de Oro City section which is estimated to cost ₱134 million.

As a result of improving the highway facilities along this project, social and economic progress in the affected areas will be accelerated.

(5) Samar-Leyte Bridge As proposed, the Samar-Leyte and the Leyte-Panaon Island Gaps will be connected by steel and concrete bridges. A steel bridge is proposed for the Samar-Leyte Gap and a reinforced concrete bridge for the Leyte-Panaon Gap, with approximate length of 916 lineal meters and 612 lineal meters,respectively.

Scheduled for immediate construction is the steel bridge that will span the San Juanico Strait between Samar and Leyte. The construction of the bridge would entail an expense of about ₱20 million and would take from eighteen months to two years to build. When completed, the bridge will shorten the travel between the two provinces and enhance the social as well as economic ties between their residents.

(6) Ferry Boats Due to the relatively great lengths of their gaps the Sorsogon-Samar and Panaon Island-Surigao Gaps, will be served by ferry boats. Initially there will be two ferry boats, each of 800 gross tons and capable of carrying 8 trucks, 15 cars, and 200 passengers. Spanning the 13.6 and 17.4 nautical miles, respectively, with a rated speed of 12 knots per hour, both can ferry simultaneously from opposite directions. It is calculated that there will be a means of continuous ferry service crossing the San Bernardino Strait every one hour and fifteen minutes, and one hour and forty-five minutes across the Surigao Strait. The ferry service

will cut short inter-provincial travel in the areas affected.

Programmed to be procured from Reparations, the four ferry boats are estimated to cost P16 million at P4 million each.

c. Benefits The proposed Pan-Philippine Highway, when completed, will directly link Luzon, the Visayas and Mindanao thereby enhancing the development of industry, commerce and agriculture in the country. Besides providing a safe, convenient, and cheaper means of land travel, the project will undoubtedly hasten the development of the areas served by the completed highway facilities. With the better means of marketing goods, goes increased production. Real estate along the route will also increase in value. Migration will be encouraged thereby easing concentration of population in particular urban areas. Both tourism and national integration will be promoted and regionalism abated. Social and cultural progress will be spurred. The project will also provide speedy transportation of military equipment and personnel, providing impetus in the drive against lawlessness and subversion in the country. The operating cost of vehicles will be minimized and increased investment in the transportation industry is expected.

The highway will be more convenient and more economical to use than the sea lanes between Mindanao and Luzon, especially to people in Southern Luzon who are going to Samar, Leyte, Surigao, Agusan and/or Davao. They would not have to go to

Manila, as they do today, and take ships to the South which may not always be available.

d. Problems

(1) Financing is lacking

(a) Cash releases eventually allocated to programmed projects are insufficient despite cash ceilings previously assigned.

(b) Appropriated amounts in the Public Works Acts are very much in excess of the cash funds that can be made available.

e. Recommendations

(1) Realistic cash ceilings should be assigned for the annual cash disbursement in order not to disrupt the program of the Bureau of Public Highways.

(2) Appropriations should be balanced against available funds.

(3) R. A. No. 3741 should be amended to provide more incentives to the private sector to undertake construction of self-liquidating public works projects, especially highway projects.

2. Portworks Ports and harbors are particularly essential where water transport provides the only means of access. This is especially true in the Philippines with its 7,100 islands. The establishment and maintenance of a network of seaports and facilities in the country are necessary for the

economic development of the hinterland, the encouragement of increased production, and social and cultural integration. Included in this category are the construction, improvement, repair and maintenance of port and harbor facilities, lighthouses, and other aids to water navigation, the dredging of harbors, channels, and navigable rivers and the reclamation of foreshore areas.

A reflection of the widespread use of water transportation is seen in the increasing number of portworks facilities. As of July 1965, 78 national ports were in operation, 20 of which were ports of entry opened to overseas shipping and 44 opened to coastwise trade only. Municipal ports which are also opened to domestic trade only, number 390. However, only 250 municipal ports are presently operational. In addition, there are many anchorages throughout the archipelago where goods such as timber, copra and sugar are loaded and discharged in the streams. As aid to water navigation, there are also 314 lighthouses all over the country. Unfortunately, however, the conditions in existing ports are far from adequate, and the requirements for essential portworks construction and improvement still far exceed the resources available.

a. Proposed Program The four-year program, to be financed largely from the Portworks Special Fund, proposes to continue support of the long-range program for the improvement and expansion of the Port of Manila and 44 other national ports.

Some materials for the project are to be procured thru reparations payments from Japan. The program of improvement and expansion will consist of the building and development of new and existing piers, transit sheds, and the acquisition of other cargo handling facilities. Also programmed for improvement are 192 municipal ports, various lighthouses and other aids to navigation. Cost of the program for the four-year period will amount to ₱122 million as shown in Table IX.7.

High in the priority list is the improvement of the Port of Manila, which serves as the principal center for internal commerce, besides handling a large portion of the country's foreign trade.

(1) Some Projects to be Undertaken in the Port of Manila

(a) Construction of two piers (Stages 1b and 1c) of the proposed International Port, and 8 transit sheds thereon. The proposed two piers will provide 3 berths at a time for large overseas vessels, minimizing shipping congestions and increasing overseas shipping activities and foreign trade. The 8 transit sheds will accommodate an average of 26,240 tons of cargo, and the reclamation of approximately 40 hectares in connection therewith will provide areas for bulk-handling, commercial buildings and industrial enterprises.

The facilities will also afford transshipment of foreign and domestic cargo from overseas and interisland vessels and

Table IX.7 - FOUR-YEAR PORTWORKS PROGRAM
FY 1967 TO FY 1970

(In million pesos)

	1967			1968			1969			1970			TOTAL		
	(₱)	($)a/	Total (₱)	(₱)	($)a/	Total (₱)	(₱)	($)a/	Total (₱)	(₱)	($)a/	Total (₱)	(₱)	($)a/	Total (₱)
Manila	13.90	24.40	38.30	7.00	2.68	9.68	2.00	2.66	4.66	3.50	2.66	6.16	26.40	32.40	58.80
Other national ports	15.85	-	15.85	10.53	10.00	20.53	1.82	10.00	11.82	1.77	10.00	11.77	29.97	30.00	59.97
Municipal ports	0.83	-	0.83	0.78	-	0.78	0.50	-	0.50	0.50	-	0.50	2.61	-	2.61
Lighthouses	0.30	-	0.30	0.30	-	0.30	0.20	-	0.20	0.20	-	0.20	1.00	-	1.00
TOTAL	30.88	24.40	55.28	18.61	12.68	31.29	4.52	12.66	17.18	5.97	12.66	18.63	59.98	62.40	122.38

a/ Dollar components already converted into pesos.

Sources of funds: Portworks Special Fund - ₱59.98 M
Reparations ------------- 62.40 M

vice-versa reducing the cost of cargo handling involved in lighterage and truck hauling from the North Harbor to the South Harbor and vice-versa.

Construction of these facilities in the Port of Manila will cost approximately ₱32 million.

(b) Fisherman's Basin, North Harbor The initial stage of construction at the proposed Fisherman's Basin will consist of a sheet pile bulkhead of more than 1,600 lineal meters, and the reclamation of an area about 110 hectares. The project is estimated to cost ₱40 million.

The need for a fisherman's harbor and a port area for the correlated activities of the fishing industry is urgent. At present, there are over 600 fishing crafts with their home base within the Manila Bay area. Due to lack of a fishing harbor, these vessels berth along the slips between the North Harbor piers and cause unnecessary congestion among the interisland shipping thereat. A few smaller ones that can sail under the Del Pan Bridge, berth along the Pasig River banks.

The bulkhead will provide berthing space for more than 40 commercial fishing vessels at a time, and can help effect additional expeditions.

(c) Four Transit Sheds on Pier 16, North Harbor Pier 16 is concurrently under construction by contract. It is proposed to construct four transit sheds for this pier at a cost of approximately ₱1.3 million.

These facilities are intended to insure the protection of cargoes from inclement weather and promote coastwise shipping and trade.

(2) Private Portworks Projects A portwork project to be undertaken by the private sector is the construction and development of adequate ports and harbor facilities in Bacolod City. Involving both port and real estate development, the total cost of the project is estimated at ₱55.8 million over a twelve-year construction period. For the four-year period 1966-1970, an estimated construction outlay of ₱8 million is expected for the ports and harbors development portion. This investment is included in the Private Construction Sector.

Another private portworks project, the Cebu Port Reclamation, expects to finish its port construction this year, but the reclaimed area will have to undergo further development.

b. Problems

(1) Limited funds result in delay in the implementation of various important portwork projects.

(2) Non-passage of the Public Works bill for the last two years hampered urgent portwork projects.

(3) There is deficient governmental organization to promote, develop and regulate water transportation. Responsibilities for water transportation are divided among several agencies.

c. Recommendations

(1) The Portworks Special Fund should be augmented by assigning a portion of the income such as taxes derived by the national government from the sale of fuel (diesel or bunker oil) to shipping companies, for use in ports and harbors development.

(2) A National Port Commission should be established under whose supervision are Port Authorities for specific areas, from which will emanate sound policies, decisions and effective action for a well coordinated operation of ports.

(3) The Government should give assistance and facilitate foreign loan financing for private portworks development.

3. Airports and Air Navigation Facilities. The peculiar geography of the country warrants some means of transportation other than by land and water to facilitate the speedy movement of people and commodities. An extensive air transportation system is needed to supplement the much slower traffic movements by surface transport. The steady growth and development of air commerce during the past years proves the general acceptance of air transportation as safe and reliable. However, the existing physical facilities of the country's airports have not kept pace with the appreciable progress in air travel.

At present there are 109 airports all over the country, 71 of which are government airports operated by the Civil Aeronautics Administration. A typical airport would generally consist of a runway, apron, taxiway, electrical system, drainage system, a terminal building, equipment shed, fencing, visual markers and other ground improvements.

A trunkline airport with facilities for medium range jets, serves the needs of principal centers of commerce, trade and population. At present the passenger traffic in trunkline airports represents about 66 percent of the total domestic air travelers registered.

A secondary airport, with facilities for jet props planes like the Viscounts and the Fokker Friendships serves principal towns and cities with moderate traffic. These airports generate about 21 percent of the total domestic air passengers.

A feeder airport serves rural communities and towns with limited traffic and is intended for use by piston aircraft such as the DC-3's.

Of the 71 government airports, 8 are trunkline, 34 are secondary and 29 are feeder airports.

a. Proposed Program. The four-year program proposes to undertake the development of existing airports, particularly the 8 trunkline airports. This is necessary to complement the program to expand air transportation in order to serve the increasing volume of air passenger and cargo traffic. The development will include the improvement and expansion of existing runways, taxiways, aprons, parking areas as well as provisions for terminal buildings. The modernization program for the MIA will be completed, while 11 secondary airports will be improved as to surface, length and strength. Also programmed for improvement are 29 feeder airports. The airports development program will involve an expenditure of about ₱109 million.

In line with the airports development program is a correlated plan to provide the necessary air navigation facilities, to ensure maximum safety in air travel. This will involve an expenditure of about ₱23 million.

The Four-Year Airports Development Program involves ₱109 million from Government Obligated Bonds and ₱23 million from Reparations shown as follows:

Projects	1967	1968	1969	1970	Total for four years
Trunkline Airports	₱ 13	₱ 13	₱ 13	₱ 11	₱ 50
Secondary Airports	9	8	8	8	33
Feeder Airports	7	7	6	6	26
Air Navigation Facilities	6	6	6	5	23
T o t a l ----------	₱ 35	₱ 34	₱ 33	₱ 30	₱132

The program covers the development of the following airports:

(1) Main trunkline

(a) Manila International Airport, Pasay City

(b) Davao Airport, Davao City

- (c) Zamboanga Airport, Zamboanga City
- (d) Bacolod Airport, Negros Occidental
- (e) Cagayan De Oro Airport, Cagayan De Oro City
- (f) Cebu Airport (Mactan), Lapu-Lapu City
- (g) Iloilo Airport, Iloilo City
- (h) Laoag Airport, Ilocos Norte

(2) Secondary

- (a) Tacloban, Leyte del Norte
- (b) Dumaguete, Negros Oriental
- (c) Cotabato, Cotabato
- (d) Rajah Muda Alih, Cotabato
- (e) San Jose, Occidental Mindoro
- (f) Puerto Princesa, Palawan
- (g) Jolo, Sulu
- (h) Dipolog, Zamboanga del Norte
- (i) Misamis, Misamis Occidental
- (j) San Fernando, La Union
- (k) New Roxas, Roxas City

(3) 29 Feeder Airports

(4) Air Navigation Facilities to 16 Airports

b. Problems

- (1) Financing is lacking.
- (2) Navigational aids are inadequate.

c. Recommendations

(1) Appropriations for airports development should be increased.

(2). Necessary navigational aids to all airports should be provided.

4. National Buildings The need for additional national buildings becomes acute every year. This is so because the demand of an increasing population and a developing economy requires an expanding government service. It is high time, therefore, that serious thinking be focused towards the solution of this pressing problem. Indeed a government office building program needs to be implemented in order to improve the efficiency of government service and economize in the cost of providing accommodation for the different agencies of the national government.

At present a considerable number of government offices are not only highly congested but also housed in rented buildings with insufficient and poor facilities. The government pays in rent about ₱3.5 million annually for the use of office space. This is a continuous drain on the government's financial resources which could be used to meet repayments on capital funds that may be borrowed from government building construction.

a. Proposed Program The four-year national buildings program calls for the construction and completion of national buildings which will entail a total investment of ₱62.72 million. Peso cost amounts to ₱62.12 million and dollar cost amounts to ₱0.60 million. Funds will come from general revenue and government obligated bonds. The yearly financing schedule is shown below:

INVESTMENT PROGRAM
(In million pesos)

	FY 1967	FY 1968	FY 1969	FY 1970
Continuation of work on buildings underway	7.86	8.49	4.89	3.97
Buildings	11.69	7.09	8.37	10.36
Total	19.55	15.58	13.26	14.33

The projects contemplated during the program period are as follows:

(1) House of Representatives Work on the construction of the House of the Representatives in the National Capital Center in Quezon City will be continued. The project will cost about ₱14.60 million and will be completed beyond the program period.

(2) General Auditing Office Building The work covers the completion of the construction of the building, from second floor up to the fifth floor including parking area and landscaping. Total cost of building is estimated at ₱2.74 million. It is expected to be completed in 1968. This new GAO building will greatly relieve the present congestion now experienced by GAO personnel. Working in an atmosphere of better facilities, the employees' efficiency will be improved. This building is part of the National Capitol Center.

(3) DANR and Provincial Branches Construction of DANR buildings already started in Quezon City will be continued as part of the National Capitol Center. Also, new buildings will be constructed for its agencies and provincial branches. These activities cost ₱5.80 million. With these facilities, the rice, corn and other agricultural activities of the government will be better attended to as the employees will have better working space conducive to increased efficiency.

(4) Office of the President, Malacañang Construction of the Administration, Staff and an Annex to the Executive buildings is of great necessity to relieve present congestion in Malacañang. Construction work will cost ₱3.03 million and will be completed in 1967.

(5) Congress of the Philippines (a) Senate - to relieve office congestion in the Senate, it is necessary to construct and/or improve various offices which will cost ₱1.21 million. The job will be completed in 1969. (b) House of Representatives - There is also a need for the construction of an Annex fronting Taft Avenue to do away with overcrowding in the House of Representatives. The annex is estimated at ₱1.30 million and is expected to be completed in 1968.

(6) Department of Foreign Affairs and Embassy Buildings abroad This calls for the construction of the stock room and the continuation of the rehabilitation of the existing DFA building at a cost of ₱1.29 million. The construction of Philippine Embassy buildings in foreign countries will likewise be undertaken at an estimated cost of ₱4.50 million.

(7) Bureau of Public Works Building Work will continue on the construction of the remaining fourteen (14) bays of the BPW building at a cost of ₱2.38 million. It is to be expected to be ready for occupancy by 1968. This facility will provide additional space to BPW personnel who are overcrowded in their present location.

(8) Bureau of Quarantine Building The construction of additional quarantine buildings and laboratory costing ₱1.15 million is necessary to enhance the maintenance of health

measures. Completion date is expected beyond 1970.

(9) National Bureau of Investigation Building. To be able to carry out effectively and efficiently the investigation of crimes in the country, there is a need of providing the NBI with better facilities. The completion of the new building is scheduled in 1968. The total cost is ₱3.5 million.

(10) Bureau of Immigration Building The work calls for the completion of the second floor and the continuation of the construction of the deck roof including the penthouse and tower for completion in 1970. Estimated to cost ₱2.76 million, the building will give a better image of the Philippines in immigration activities since the building will provide better facilities to foreigners in dealing with local immigration authorities. The present building of the Bureau of Immigration is dilapidated.

(11) National Cultural Shrine Building. Construction of the National Theater-Museum will provide the much-needed answer for a theater for international and national performances. It will also provide adequate space to house our important relics which are at present housed in a borrowed building. The project cost is ₱10.0 million.

(12) Philippine Atomic Energy Commission Buildings. The work envisions the construction of a supporting arc laboratory, waste treatment plant, health physics laboratory,

isotope production laboratory; the PAEC administrative building and other laboratories; improvement of the Philippine Atomic Research Center and expansion of the research reactor to 3 MW; and area improvement and landscaping estimated at a total cost of ₱14.12 million for completion in 1970. With these facilities, the Philippine Atomic Research Center will be in a more effective position to conduct researches and studies on the peaceful use of atomic energy and on the solution of important problems in agricultural production, industrial operations and public health.

b. Problem While enough funds are appropriated for construction of national buildings, most of the construction projects are not completed as scheduled due to unnecessary delay in the release of funds.

c. Recommendation Fund releases should be coordinated with physical schedules in order to prevent unnecessary delays in the completion of projects which will make them more costly in the long run.

TRANSPORTATION AND COMMUNICATION

The Philippine archipelago requires an adequate and reliable system of transportation and communication if an accelerated rate of economic growth is to be achieved. A coordinated and complementary link among the different modes of transportation - land, sea, and air, would facilitate regional and interregional movements of goods and services. Moreover, national integration will be enhanced. Various regional groups will be brought together to form a cohesive unit that will permit the realization of stronger political institutions.

The economic effects of transportation are transmitted through the cost, nature and quality of the service rendered. Lower transport costs encourage increased production, create demand, and widen markets. Modern telecommunications facilities mean faster dissemination of news and increase the tempo of governmental and economic activities.

The expansion contemplated for transportation and communications is directed primarily to providing facilities in the underdeveloped areas and to adopting measures that would remedy present inadequacies in the movement of commodities and passengers in the different parts of the country.

The details of each phase of the transportation and communication program, are summarized in the succeeding paragraphs.

1. Railways The Philippine National Railways is a major segment of the country's transportation system particularly for long distance haul of heavy and/or bulky cargo. Rail transport is fast and cheap.

The Philippine National Railway has 1,028 kilometers, single line tracks of the narrow gauge type. It's rolling-stock consists of 86 locomotives (30 steam and 56 diesel), 42 motor driven coaches, 178 passenger coaches and 1,844 freight cars. The existing railway system is in a deplorable state, unsafe and needs immediate rehabilitation and modernization. The Philippine National Railway has two projects - the 330 kilometers Cagayan Valley Extension and the 145 kilometers Sorsogon Line Extension. Construction work on both projects were suspended in 1964 due to lack of funds,

a. Objectives of the Program The main objective of the four-year railroad program is to rehabilitate and modernize existing lines. Construction of the Cagayan Valley & Sorsogon extension lines will be resumed.

b. Proposed Program The railways program for the four-year period is shown in the following schedule:

PROGRAM FOR PHILIPPINE NATIONAL RAILWAY

	1967	1968	1969	1970	Total
PHYSICAL GOALS					
Modernization & rehabilitation of existing lines	13 units DEL, Track and bridge materials and rolling stock and rehabilitation of tracks.				
Cagayan Valley extension		General Construction work.			
Sorsogon line extension		General Construction work.			
INVESTMENT (in million pesos)	8.76	23.51	15.33	12.39	55.99

SOURCES OF FUNDS: (Total) [illegible]

Private savings	34.43 millions
Reparations	25.56 millions

(1) Major Projects

(a) Rehabilitation and modernization of the Dagupan-Manila-Legaspi Line The Manila-Legaspi Line, the life line of the Bicol region, needs immediate attention. It involves reballasting and replacement of ties. The present 65 lbs. rails will be changed by 75 lbs. rails in order to absorb the ever increasing traffic volume and larger diesel electric locomotives will be required. A modern signalling and communications system will be installed to meet the needs of faster trains and higher frequency of traffic.

The dollar component of the project is estimated at $45.0 million while the peso counterpart at ₱60.00 million. The PNR has proposed the procurement initially of 13 diesel electric locomotives, miscellaneous rolling stock, and track and bridge materials under Indent Bid No. 17 worth ₱80 million. This is proposed to be guaranteed by the government under RA No. 470 and the Development Bank of the Philippines. The PNR is also negotiating for a $35.0 million loan from Japan, to be guaranteed by Reparations.

(b) Cagayan Valley Extension . This project involves a 330 kilometer stretch from San Jose, Nueva Ecija to Tuguegarao, Cagayan. Work on the project was started in 1961 and suspended in 1964 due to lack of funds. Only 60 kilometers of grading work were finished. Materials and equipment worth $5.2 million were procured from Reparations in 1961 and delivered in 1962. This was part of the authorized ₱48.0 million allocation from Reparations under RA No. 1867. Under the same law, the sum of ₱30.0 million was also appropriated from funds in the national treasury. With the change in the rate of exchange and in prices, it is estimated that the peso portion alone has to be increased to ₱117.0 million. The project is scheduled to be finished in 7 years.

(c) Sorsogon Line Extension The project extends from Daraga, Albay, to Matnog, Sorsogon, a distance of 145 kilometers. Construction work on the project started in 1961 and suspended in 1964 due to lack of funds. Grading work on 34 kilometers was finished and 2 of the 3 proposed stations are under construction. Under RA No. 1623 later amended by RA No. 2638, the amount of ₱15.0 million was appropriated to cover the peso portion. Of this ₱10.0 milion has already been released to the PNR. Recent estimates necessitate the increase of this peso portion to ₱46.0 million. The $7.0 million portion is to be acquired from the proceeds of Reparations or may be procured thru foreign loans. The project was initially estimated to be completed in 3 years.

b. Problems

The major problems of the Philippine National Railways are:

1. There is lack of financing;
2. Management is inefficient.

c. Recommendations

Financing

(1) Peso counterpart funds:

(a) The peso counterpart funds for the Cagayan Valley Extension from ₱30.0 million as provided for under RA No. 1867 should be increased to ₱117 million;

(b) The counterpart funds for the Sorsogon Line Extension should be increased from ₱15.0 million to ₱46.17 millions as provided for under RA 2638.

(c) Additional credit facilities to PNR to carry out its rehabilitation and modernization program should be provided for.

(2) Dollar Component:

(a) The balance of $18.8 million for Cagayan Valley Extension - should be made available from Reparations.

(b) Allocation from Reparations of rails and other materials to complete the Sorsogon Line Extension should be provided.

(c) The $35.0 million loan under negotiation from Japan and to be guaranteed by Reparations should be facilitated.

Management

(1) There should be a complete reorganization of the PNR placing management in competent hands.

2. Motor Transport Motor transportation in the Philippines is fairly well developed. Its characteristic advantage over other modes of transport make it very essential to the cross-lateral needs of production and distribution.

In 1965, the motor vehicles in the country were estimated to be

342,757 units classified into the following categories:

	Cars	Trucks	Trailers	Motorcycles	Total
Number	175,505	126,558	5,650	35,024	342,737

The average density was about 10.69 units per 1,000 population. The increase in vehicles was very rapid from decontrol, to the present, averaging a 26 percent growth every year. This is not necessarily for the best interest of the country, considering that the greatest growth was in cars for private use, which are essentially not for productive use.

a. Objectives of Program The motor transport program during the four-year program period is shown below.

PROGRAM FOR MOTOR TRANSPORT

	1967	1968	1969	1970	Total
Physical Goals (No. of units)					
Cars	4,800	4,500	4,700	5,100	19,100
Trucks	4,200	3,300	5,000	4,800	17,300
Investment: (in million pesos)					
Cars	57.81	54.37	57.06	63.24	232.47
Trucks	102.26	78.29	121.73	115.26	417.05

649.52

Source of funds: 2.1 (Total)
Private savings $270.02 millions
Foreign loans 380.00 millions

650.02

b. Problems The major problems of motor transport are:

(1) There are too many public carrier operators over given routes;

(2) There is need for more effective regulation and supervision over the industry as well as the effective enforcement of rules and regulations;

(3) Cargo carriers are not regulated nor integrated to other modes of transport; and,

(4) Too many vehicles are for private use instead of for commercial or industrial use.

c. Recommendations

(1) Public carrier should be limited to the more financially stable companies in order to maintain efficient and lower cost of service;

(2) Government law enforcement agencies should have better coordination in the enforcement of existing rules and regulations;

(3) Cargo carriers like the public passenger carriers should be regulated; and,

(4) Bigger taxes on vehicles not for commercial or industrial use should be levied.

3. Shipping The country's population and economic activity are concentrated in about 1,000 islands of the more than 7,000 islands of the Philippine archipelago. These physical characteristics

and the limitations of other modes of transport make water transportation essential to freight and passenger movement. It is nonetheless important in the integrated and continuing economic development of the country.

The bulk of interisland shipping activity is carried on in 78 national ports and 390 municipal ports. Some 50 shipping companies operate on the main interisland routes. While there are 4,150 vessels with an aggregate registered tonnage of 200,000 gross tons, the bulk of the interisland traffic is carried by a core of 215 vessels with an aggregate tonnage of 145,500 gross tons.

Passenger traffic accounts for 40 percent and freight traffic 60 percent of the total revenue of shipping operators. The total volume of cargo tonnage handled in 1964 was 6.7 million tons and the total revenue was ₱130 million.

The aggregate tonnage of our overseas merchant fleet is 400,600 tons and handles about 12 million metric tons freight. Expansion of overseas bottoms increased our participation in the total external trade of the country from 1.6 percent in 1956 to 15 percent at present. This meant a decrease in freight payments to foreign carriers by about 60 percent for the same period.

In complement to the shipping bottoms, there are 612 units of barges and lighters with an aggregate tonnage of 146,000 gross tons.

a. Objectives of the Program In interisland shipping, there is need for the replacement of old vessels as well as acquisition of new ones to meet the normal growth of traffic. The replacement of some 80 percent of the core fleet is urgently needed. Most of them had been in service for at least twenty years and were not constructed for commercial operations making them obsolete and uneconomic to operate.

To realize the objectives of the program, it is proposed to provide NASSCO with adequate financing for the construction of interisland vessels. The required investment would be ₱54.0 million, the dollar portion of which may be financed thru reparations or foreign loans in the form of materials and equipment. For long range operation, however, a law similar to the Coastwise Shipping Act of 1957 need to be legislated to finance the construction of vessels, which could be made available to the private sector under long-term payment plans. This will fill the gap created by the non-availability of reparation fund to coastwise shipping.

For overseas shipping it is proposed to increase participation of vessels of Philippine registry in the country's total external trade from 15 percent to 22 percent. This would involve the acquisition of 96,000 gross tons of new bottoms and a total foreign loan of ₱82.00 million during the 4-year program period.

The program for shipping is shown below:

PROGRAM FOR SHIPPING

	1967	1968	1969	1970	Total
Physical goals:					
Coastwise (G.T.)	4,800	4,800	4,800	4,800	19,200
Overseas (G.T.)	24,000	24,000	24,000	24,000	96,000
Investment (in million pesos)					
Coastwise	16.0	16.0	16.0	16.0	64.0
Overseas	20.50	20.50	20.50	20.50	82.0

Sources of funds:	
Private savings	₱32.0 millions
Reparations	32.0 millions
Foreign loans	82.0 millions

b. Problems The major problems of the shipping industry are:

(1) There is no central authority to promote, plan, coordinate, supervise and regulate the industry;

(2) The industry has no effective licensing system;

(3) There are too many operators;

(4) There is lack of financing;

(5) Existing rules and regulations are not effectively enforced.

c. Recommendations

(1) Creation of the central authority to promote, plan, coordinate, supervise and regulate the industry;

(2) Licensing should be given to the more financially responsible companies, so that economies of scale which is needed in this industry could be taken advantage of;

(

(3) Provide long range financing to **NASSCO** for vessel construction.

(4) Credit facilities should be made available to the industry, with preference to natural born Filipinos;

(5) Rules and regulations should be effectively enforced by closer coordination between the agencies concerned.

4. Air Transportation The geographical composition of the Philippines shows a high priority for the development of air transportation. Air transport provides fast movement of people and goods. Perishable foodstuffs and essential industrial materials needed for uninterrupted plant operations are best served by this mode of transport.

In the domestic service, there were as of June 30, 1965, some 1,851 passenger seats was in service. These services are operated by 3 scheduled airlines and 2 non-scheduled airline operators. For the same year there were added 12 aircrafts with a total of 500 passenger seats. The domestic service is linked by 10 trunklines and 23 secondary routes. The domestic air traffic volume handled in 1965 was 413,667,921 passenger miles and 31,526,830 tons miles. The average growth in both passengers and freight traffic increases by 20 percent annually.

International air service connects the Philippines directly to 30 cities and to 20 countries by 22 transit routes. International service in the country is carried by 13 scheduled and 64 non-scheduled operators. Of these, only the Philippine Airline is of Philippine registry. The Philippine Airlines has presently

2 DC-8's and one BAC-III on the Honolulu-San Francisco route. Its application to include Tokyo, by right of reciprocity until now has not been approved by the U.S. government. In 1965, the traffic volume in the International Air Service consisted of 151,595,105 passenger miles and 19,112,824 ton miles of freight. Passenger traffic increased at the average rate of 17 percent per year and freight traffic increased at an average of 69 percent annually over a five-year period.

a. Objectives of the Program It is propose to increase facilities to absorb the estimated growth in traffic volume indicated below:

Year	Domestic Passenger Miles	Domestic Ton-Miles	International Passenger Miles	International Ton-miles
1967	82,000,000	6,500,000	40,000,000	7,000,000
1968	119,000,000	7,200,000	53,000,000	7,300,000
1969	143,000,000	8,600,000	53,400,000	8,200,000
1970	172,000,000	10,500,000	63,000,000	10,000,000

b. To carry out the objectives above, the goals for the four-year program period are as follows:

	1967	1968	1969	1970	Total
Physical goals:					
Domestic aircrafts	4	9	11	12	36
International aircrafts	1	-	-	-	1
Investment: (in million pesos)					
Domestic	58.00	105.00	127.00	136.00	426.00
International	31.20	-	-	-	31.20
Total	89.20	105.00	127.00	136.00	457.20
Sources of funds:					
Private savings	₱153.0 million				
Foreign loans	304.0 million				

b. Problems The main problemsin air transportation are as follows:

(1) Lack of financing;

(2) Lack of adequate landing facilities; and

(3) Inability to acquire reciprocity landing rights in other countries.

c. Recommendations

(1) The government should give assistance in facilitating foreign loan negotiations of the industry;

(2) More airports should be improved and constructed, together with the installation of proper navigational aids;

(3) The government should exert more efforts to get reciprocity landing rights ofr the Philippine flag carrier.

5. Telecommunications Telecommunications is vital to economic growth. A fast, reliable and efficient telecommunications sytem facilities economic activity. Business transactions and movements of goods can be effected with ease.

The Philippines lags in telecommunications. Compared to countries of comparable size and economies like Malaysia, Mexico and Finalnd whose average density is 6.0 telephones per 100 persons, the Philippines has only 0.42 telephones per 100 persons. As of June 30, 1965, there were 146,200 telephone units in service and the backlog of orders for service was about 65,000 telephome units. Also, of the 1,428 cities and municipalities in the country there were only

1,235 government-owned radio, radio-telegraph, telegraph and telegraph-telephone stations and about 70 privately owned telegraph stations for the same period.

a. Objectives of the Program For the four-year program, it is proposed to increase the major telecommunication facilities within a desirable minimum level as follows:

PROGRAM FOR TELECOMMUNICATIONS

	1967	1968	1969	1970	Total
Physical Goasl:					
Telephones	19,000	53,000	55,500	56,500	184,000
Public	3,000	5,000	5,500	6,500	20,000
Private	16,000	48,000	50,000	50,000	164,000
Other public					
1. Automatic telegraph relay system			49 cities and towns		
2. Telegraph improvement			improvement of 120 and 20 new stations.		
3. Rehabilitation of GTS facilities in Manila					
Investment (in million pesos)					
Public	29.57	20.72	20.72	10.26	81.27
Private	78.18	81.49	75.92	39.09	274.68

Sources of Funds:

Government obligated bonds	₱81.87 millions
Private savings	127.91 millions
Foreign loans	146.00 millions

*Completion dates of some of the projects are beyond 1970.

b. Major Projects

(1) Public sector

(a) The National Telecommunications Expansion Project seeks to establish a backbone toll system integrating national telephone services in 27 cities and towns; automatic telegraph relay system in 49 towns and cities and a radio network interconnecting these localities. Work on the project was started in 1963 by ITT;

(b) Establishment of telegraphic facilities in 20 municipalities in Central Luzon and the modernization of telegraph facilities in 120 municipalities;

(c) An on-going project in Manila and suburbs expanding the telephone facilities by 21,000 units.

(2) Private sector

(a) Expansion projects of private telephone companies to the extent of 164,000 telephone units.

(3) A joint Government and Private sector project involves the erection of a ground tracking station for the Global Satellite Communication System. The government participation will largely be in the form of membership at a cost of $750,000.00 in a consortium of 49 nations to orbit the communication satellite.

The private sector will undertake the cost of installation of the ground station costing ₱17.0 million including $3.9 million for equipment. The target completion date is set on April 1967. The system can receive and transmit telecommunications messages as well as televise.

c. Problems The expansion and development of telecommunications in the country is faced with multifarious problems. The most pressing of these problems are:

(1) Lack of a central authority vested with the powers to promote, plan, coordinate, supervise and regulate all telecommunications services and facilities;

(2) Duplication of services in concentrated areas;

(3) Lack of intra-provincial network for long distance service and absence of a workable numbering scheme for the telephone system;

(4) Uncoordinated development; and,

(5) Whether the government should stay in business and compete with private sector or take over and run all telecommunications services and facilities.

d. Recommendations Decisive steps should be undertaken towards the solution of the problems. These are:

(1) The creation of a central authority on telecommunications to plan, promote, coordinate, regulate and supervise all telecommunications services and facilities; and,

(2) The gradual withdrawal of the government from the investment field of telecommunications in favor of the private sector.

Chapter X

TRADE AND COMMERCE DEVELOPMENT PROGRAM

The prevailing trade situation in which the structural pattern is heavily foreign-oriented and the distribution system is largely antiquated and inefficient, with some of the pivotal areas dominated by aliens, is a serious impediment to economic development.

While the trade sector itself must unquestionably constitute a major portion of the economy, its foreign trade component must not be allowed to be unduly excessive. The inordinate reliance of our local and agricultural products on the foreign markets is a growth-inhibiting factor, for this necessarily limits domestic production to goods which other nations need and want and which the world market can absorb. As it is now, the Philippines relies quite heavily for the bulk of its foreign trade on a few traditional agricultural products and unprocessed raw materials, the prices of which are much too subject to erratic fluctuations due sometimes to manipulatory practices of international cartels.

On the other hand, the reliance of our internal consumption on imports also acts as a brake on industrialization by deterring the development of local industries manufacturing import substitutes.

The key to the economic progress of any nation, as exemplified by the American experience, lies in her ability to produce as much as possible the goods that she needs for internal consumption within her borders, for with such self-sufficiency, the potential for rapid growth will be self-generating and almost limitless.

Another aspect of the trade situation which demands immediate attention is the total overhauling of the distribution system, with a view to replacing its generally outdated methods with modern techniques and releasing it from the grips of alien control. This is a matter of urgency for the obstructions to the marketing channels can have serious inflationary repercussions which will have a direct and adverse effect on the cost of living as well as on the ability of the other productive sectors to stimulate changes in the demand pattern. Moreover, deficiencies in the distribution system foist upon local industry the necessity for engaging in purely commercial operations which reduce their capacity for expansion.

The most urgent step which must be taken in this regard is to minimize and, if possible, totally eliminate the alien control of the distribution channels for the lessons of history eloquently show that aliens cannot be expected to conduct themselves in the furtherance of our national interests, and that they, on the contrary, tend to concentrate on the production of raw materials to serve the industrial needs of their own countries or to bring in finished goods which compete with local products. Moreover, by the adroit use of their pivotal position as a middleman, they have generally exploited to their profit and advantage both the producers and the consumers. The continued dominance of our trade by foreign elements therefore would be inimical to our economic efforts and will jeopardize the entire socio-economic program.

Accordingly, the sectoral program on trade and commerce concentrates on these basic problems and proposes both short and long-range solutions. In gist, it puts forth measures, projects and policies designed to expand the domestic market and to ensure and increase active Filipino participation in the overall marketing and distribution scheme. It envisions the continuation of the process of import substitution and plans the use of the income from exports to supplement local resources in financing the efforts to strengthen productive enterprises, stabilize prices and reduce operational costs in order to improve the competitive position of our export products. In the interest of diversifying our export trade and alleviating our over-dependence on any single foreign market, it also calls for the establishment of aggressive trading firms, which will be properly supported by the government.

Domestic Trade Program

1. Current Situation Philippine domestic trade comprises the whole system of marketing and distribution of goods and services from producers to consumers throughout the length and breadth of the Philippine Archipelago.

The scope and magnitude of the domestic trade sector of the economy may be gleaned from the following:

a. Number of Persons Gainfully Employed in Trade Employment in the trade sector shared 10.6 percent of the total employment in FY 1965. Persons employed in the trade sector increased from 939 thousand in FY 1962 to 1,196 thousand in FY 1964 or an increase of 27.4 percent. Wholesaling and retailing alone accounted for 54.5 percent of total employment in trade in FY 1964 while the remaining 45.5 percent was absorbed by insurance companies, real estate firms and by banks and other financial institutions.

In FY 1965, employment in the trade sector decreased slightly over that of the preceeding year. This however is also reflective of the overall employment trend for the same period.

b. Value of Goods Marketed. The value of total merchantable goods has increased from ₱6,170 million in FY 1962 to ₱8,369 million in FY 1964. On the basis of the number of persons employed in the trade sector, the value of merchantable goods per person is only ₱6,997 in 1964.

Products contributing to the total merchantable goods during the period are shown as follows:

	Amount (In million pesos)	
	FY 1962	FY 1964
Total	6,170	8,369
Farm goods	2,298	2,953
Manufactured goods	3,295	4,442
Mineral products	364	456
Forest products	213	518

c. Stock Trading The local stock market situation which has been depressed by the transitional effect of full decontrol has caused the decline in the number and value of shares of stock traded from 6,044.4 million and ₱154.4 million in FY 1963 to 2,924.7 million and ₱118.3 million in FY 1965. However, expansion in the overall liquidity coupled with favorable prospects for the country's export products due to decontrol, brought about a significant improvement in the prices of stocks in the Manila Stock Exchange from an index of 122.3 in FY 1963 (1960 = 100) to 140.6 in FY 1964. However, in FY 1965, it declined to an index of 104.9.

d. Price Trends The trend in prices during the period from FY 1962-63 to FY 1964-65 indicates sharp increases as confirmed by the general cost of living indices particularly the consumer prices and also that of wholesale prices. With 1960 as base, consumer price index in Manila rose from 113.4 in FY 1962-63 to 128.8 in FY 1964-65 or an increase by 13.6 percent. Likewise, the general wholesale price showed an uptrend. It was 5.9 percent higher in FY 1965 compared to that of the previous year with the price of imported products contributing moderately to the increase. The wholesale price of imported food products rose by 6.3 percent in FY 1964 but decreased slightly by 0.64 percent in FY 1965. The price indexes do show the apparent inflationary tendencies which started to manifest itself after the lifting of controls in early 1962 and continued up to the present. To a large extent the high cost of imports and the rising export incomes continued to exert pressure upwards. The greatest danger to stability of prices, however, lies in the tremendous expansion of money supply. The expansion of money and credit by 23 percent and 20 percent respectively over the prior year's level has been the potential source of excess demands resulting in disequilibria between supply and effective demand. The upward push of prices was further reenforced by the excess of government expenditures over receipts and the maintenance of time and savings deposit with the banking system.

It is anticipated though that as output starts to increase which is a consequence of investments made in previous years, prices would become more or less stabilized. In concert with the influence of the market mechanism, deliberate attempts are made through monetary and credit policies to counter the adverse effect of unrestrained expansion of money supply. The retrenchment policy of the government will have a deflationary effect and would thus contribute towards minimizing further increases in prices.

e. Filipino Participation in the Retail Trade Prior to the enactment of the Retail Trade Act (Republic Act 1180) in 1954, the country's retail trade was dominated by foreign businessmen. In 1954, 75 percent of the retail trade was in the hands of aliens. However, two years after the implementation of the said Act, Filipino participation in the business significantly increased by 73.9 percent. A percentage trend of Filipino participation in the retail trade from 1956 to 1964 is shown in **Table X. 1.**

In spite of the favorable statistical trend showing 90 percent Filipino control of the retail trade in 1964, numericalwise and capitalwise, it is still apparent that a good number of establishments exist or are being organized in the names of Filipinos who act as dummies of alien businessmen.

Likewise records show a generally increasing trend in the number of alien producers, manufacturers, and processors whose capital does not exceed ₱5,000 and who are allowed by the Act to engage in the retail trade. Permits issued to alien retailers under this category have significantly increased from 508 in 1959 to 1,815 in 1964.

f. Filipino Participation in the Wholesale Trade Following the complete nationalization of the retail trade in 1964, a significant rise in alien investment in the wholesale trade has been noted. The following table shows the decreasing trend of Filipino participation in the wholesale business:

Wholesale establishments by nationality	1962		1963		1964	
	No.	Cap.	No.	Cap.	No.	Cap.
Total (percentage)	100.0	100.0	100.0	100.0	100.0	100.0
Filipino	63.8	75.0	53.4	69.4	63.2	65.7

Table X.1 - RETAIL COMMERCIAL ESTABLISHMENTS
1956 - 1964

Year	Percent of Filipino participation	Percent of Filipino capitalization	Percent of aliens participation	Percent of aliens capitalization
1956	74.0	91.5	26.0	8.5
1957	76.8	72.8	23.2	27.2
1958	71.8	70.9	28.2	29.1
1959	80.3	89.0	19.7	11.1
1960	86.3	84.5	13.7	15.5
1961	90.0	88.7	10.0	11.3
1962	89.7	77.1	10.2	22.9
1963	91.6	94.1	8.4	5.9
1964	90.0	91.0	10.0	9.1

Source of basic data: Bureau of Commerce, DANF.

Chinese	29.7	7.6	40.2	17.5	33.4	7.7
American	0.7	7.3	0.7	2.1	0.9	1.0
Others	5.8	10.1	5.7	11.0	2.5	25.6

Wholesale trade is mostly concentrated in the urban areas due naturally to the proximity and size of markets as well as availability of financial institutions and distributive facilities.

2. Problems Domestic trade serves as the main link between production and consumption in the basic economic pattern of our economy. The fact that the Philippines is composed of 7,100 islands with a coastline of 10,850 miles has been an inherent impediment in the smooth geographical movement of goods and services in the domestic economy, aggravated by the numerous problems evolving from the present marketing, distribution, and institutional setup in the country, which are as follows:

a. Inadequacy of the following basic facilities for the smooth geographical movements of goods and services:

1) Roads, ports and harbors, transportation and communication facilities, and electric power. Because of the inadequacy of these facilities, the movement of goods from the surplus areas to other places where they are demanded has become expensive and inefficient.

2) Warehousing and storage facilities for the processing and conservation of highly perishable agricultural products in areas of production. Inadequacy of these facilities

results in so much wastage and discourages the production of goods in excess of the present needs within the locality.

3) Financing facilities: Due to inadequate financing facilities, majority of Filipino farmers, producers, manufacturers, and traders are often at the mercy of unorganized money markets which charge usurious rates.

b. Alien Domination of the Principal Channels of Distribution The principal channels of distribution in the country are the wholesale and retail trade. Cognizant of the vital and strategic role of these institutions in the economic development and security of the country, Congress made a bold move to nationalize the retail trade with the passage of Republic Act No. 1180 on June 19, 1954. The move was a gradual one based on a ten-year transition period which culminated on June 19, 1964. But the result was not as expected. Aliens still dominate the trade due to the following:

1) R.A. 1180 permits the continuance of alien single proprietorships up to the death of the original registered alien owners so that as of this date, in the City of Manila alone, there are still 3,517 of this alien retailers, the capital of which have been greatly expanded as the law does not peg the capital of said aliens to a fixed and definite amount.

2) Section 4(a) of R.A. 1180 exempts alien food processors and manufacturers whose capitalization do not exceed ₱5,000. Records show that in Manila there are now 327 aliens

under the category still legally allowed to retail.

3) Dummies: The rampant practice of aliens to take Filipino women as common-law wives to operate a retail trade has also defeated the purpose of the law.

4) Principal-agent relationship with Filipino sidewalk vendors: Alien retailers still maintain their original place of business but now as wholesalers. They still enjoy the profitable retail business through Filipino vendors and peddlers who retail the goods on commission basis. The principal-agent relationship exists. As agents these vendors have no better rights than their principals, but due to hardships in getting evidence from the Filipino parties, the practice has been unchecked.

5) Aliens in the country are very well organized and financed. Their technical know-how in business has been patiently acquired through hundreds of years of being in the trade. Therefore, alien businessmen are very formidable business competitors in so far as our struggling Filipino businessmen are concerned.

c. Rampant Violation of the Fair Trade Laws Unfair trade practices also serve as deterrents in the smooth flow of goods from the producers to the consumers. Organizations that operate to control supply and prices are examples of violation of Article 186 of the Revised Penal Code (Anti-Trust Law). The following problems have been encountered in the course of implementing our fair trade laws:

a. Organizational defects of implementing agencies such as:

1) uncoordinated implementations by the various agencies involved;

2) lack of sufficient personnel; and

3) lack of clear-cut definition of powers and duties of personnel.

b. Insufficient funds; and

c. Lack of cooperation of the private sector due to the following:

1) insufficient dessimination of information; and

2) lengthy and rigorous judicial as well as quasi-judicial procedures involved.

d. Smuggling The growing intensity of smuggling activities in the country has also disrupted the normal activities of the retailers and wholesalers. Low priced smuggled goods affect both supply and price.

3. Objective The following are the specific objectives of the Domestic Trade Plan:

a. To attain an efficient marketing system for the smooth geographical movements of goods and services;

b. To enable the Filipinos to gradually take over the whole distribution and marketing functions;

c. To help maintain stable prices; and

d. To expand the domestic market and consequently, employment in the Trade Sector.

4. The Plan Considering the geographic condition of the country, the plan for an efficient and effective marketing and distribution system for the smooth flow of goods from the production centers to the consumption areas throughout the 7,100 islands shall be as follows:

a. To construct adequate roads, ports and harbors, transportation, and communication facilities. The detailed plans for these infrastructure facilities are embodied in the Service Utilities Sectoral Plan.

b. To encourage the establishment of adequate warehousing and storage facilities in areas suitable for production of commodities in commercial scale.

The private sector should be encouraged to establish and operate said facilities with adequate incentives from the government. As an initial incentive to step up the establishment of this basic facilities, the government should reduce the rate of bond filed by bonded warehouses from 33-1/3 percent of the market value to 20 percent.

c. To provide adequate standardization facilities. Standardization of all commodities shall be undertaken and/or facilitated by the Bureau of Standards. The Bureau shall encourage and assist in the organization of standardization institutions by reputable marketing or civic organizations or local magazines, which could certify with due fairness on the standardization of a given commodity. Necessary incentives should be determined by the Bureau in the course of implementation. It should directly supervise the various advertising companies in so far as the standard of the advertised commodity is concerned. The advertisement should conform with the true quality of the commodity.

d. To provide reliable market research and information. The government through the Bureau of Commerce shall play a major role in the proper dissemination of the following:

1) Market surveys for commodities which are or could be produced in certain areas and demanded in other places. The Bureau of Commerce should make use of the reports of commercial agents, other pertinent government agencies, civic organizations, learning institutions, and various business organizations.

2) Statistical data and other information pertinent to the formulation of business policies and decisions, and also on procedures and requirements in the conduct of business in the country as well as to new business opportunities. The Bureau of Commerce shall compile in cooperation with the Bureau of the Census and Statistics, specific business data that are needed by the business community, and disseminate these data effectively through commercial agents, business organizations, radio and television, and other media of information.

e. To encourage the dispersal of processing industries into areas of/or capable of excess production. For this purpose, the Department of Commerce and Industry shall provide for the basic study and specific plan on the potentials of the various localities for the establishment of processing industries.

The necessary incentives from the government shall be determined by the said Department in the course of implementation of the specific plan.

f. To provide adequate financing,government lending institutions shall reserve portions of their available funds to meet the need of the marketing and distribution sector under more liberal terms. Projects necessary to facilitate the smooth flow of goods from production to consumption shall be given priority.

The lending policies of commercial and rural banks and other private financing institutions shall be liberalized to enable bonafide and deserving marketing agencies to finance worthwhile marketing projects.

g. To insure an active Filipino participation in the overall distribution and marketing system. In order to carry this out the following measures shall be adopted:

1) Implementing more effectively the Retail Trade Act (Republic Act No. 1180). The flaws and loopholes in the effective implementation of the Act shall be remedied as follows:

a) Section 4(a) of the Act exempting therefrom food processors and manufacturers whose capitalisation do not exceed ₱5,000 should be completely repealed;

b) The Act should be further amended to embody a provision pegging the capital of aliens (single proprietorship) still in the retail business to a fixed and determinate amount;

c) A clear and unequivocal definition of the term "technical personnel" in the law should be provided;

d) The implementation of the law should be centralized in the Bureau of Commerce; and

e) Adequate appropriation for its implementation should likewise be provided.

2) Amending the Anti-Dummy Law, Commonwealth Act 108, to the effect that a common-law wife of an alien engaged in any kind of business wholly reserved for bonafide Filipinos shall be considered as a prima facie evidence of violation of said law;

3) Specifically making naturalization for business convenience as a ground for disqualification for aliens applying for naturalization and also for cancellation of naturalization when proved after the grant thereof. Testimony of commercial agents as to the economic activities of aliens applying for naturalization or those who have already been granted naturalization in cases of cancellation or denaturalization shall be required;

4) The Cooperative Administration Office shall step up its operation of encouraging and assisting Filipino Wholesalers Cooperatives to provide Filipino retailers with tax-exempt goods

to be able to compete with their alien counterparts. The Filipino retailers shall be encouraged to form into wholesale cooperatives;

5) The National Marketing Corporation (NAMARCO) shall be reorganized and revitalized to assist Filipino retailers and wholesalers so that they may become competitive with alien distributors;

6) The Flag Law shall be amended to insure protection to Filipinos; and

7) The wholesale trade should be nationalized gradually.

To complete the turnover of the whole distribution and marketing system to the Filipinos, Congress shall enact a law providing that within a transition period of five years, the wholesale trade including import and export shall be exclusively opened to Filipinos only. To insure the effective implementation of said legislation the following corollary measures shall be adopted:

a) A rigid Training Program on the technical know-how in the wholesale and retail trade shall be devised by the Department of Commerce and Industry in consultation with the Department of Agriculture and the Department of Education;

b) The various lending institutions both government and private shall cooperate by adopting more liberal credit policies for Filipino wholesalers and retailers;

c) The Department of Commerce through the aid of other pertinent government agencies and private organizations shall encourage and assist in the establishment of Filipino marketing or trading organization. The wholesale cooperative association which could import tax free commodities may be used as an initial step to entice the Filipinos to step into the wholesale and retail trade; and

d) In order not to disrupt the inflow of foreign investment in projects which could not be undertaken by local entrepreneurs and capitalists, the scope of the wholesale trade exclusively reserved for Filipinos shall not include the sale of manufacturers to Filipino wholesalers or retailers together with direct purchases of the needs of the producers.

h. To help in maintaining stable prices - in attaining this goal, the following measures shall be adopted:

1) Effective implementation of the Fair Trade Laws specifically laws governing monopolistic practices. Congress shall initiate the move for codification of all laws governing fair trade practices into one whole piece of legislation which shall be known as the Fair Trade Code. This will then help in the effective implementation of said laws both by the private and public sectors.

The organizational defect of the implementing agencies shall be corrected by (a) providing them with qualified personnel; and (b) clothing them with the necessary powers inherent to the job, say for instance, police power which is essential in arresting on the spot violators of fair trade laws. The Fair Trade Board shall be revitalized to make it more effective to cope with the voluminous work. The Board's duties shall be expanded to include effective dissemination of valuable information on unfair trade practices to the people. The Board shall make use of the television and radio programs allotted for public services; the various commercial agents, publications and through the learning institutions.

The Department of Justice shall examine the lengthy and rigorous judicial as well as quasi-judicial procedures involved in the adjudication and settlement of fair trade violations and disputes and reduce them to a speedy and expeditious system.

2) The exclusive distributive system which is in the nature of trade cartels can be gradually but surely eliminated in the course of nationalization of the wholesale trade. Prices could then be free from intervention of alien monopolists and may be expected to re-act within reasonable levels as production are stepped up to desirable goals as envisioned in the agricultural and industrial sectors.

3) Tariff shall be utilized as an instrument for effecting desirable price levels. Congress shall amend Section 401 of Republic Act No. 1937 to include the following provision: "The Tariff Commission with the assistance of the Bureau of Commerce shall conduct investigations and public hearings on unwarranted increase in prices of basic consumers and essential

producers goods for possible reduction of tariff duties for the purpose of stabilizing prices, and upon favorable recommendation of the National Economic Council, the President shall effect the recommended reduced rates through the issuance of an Executive Order thereof."

4) The President, in his State of the Nation message, has taken it upon himself to use his persuasive power to guarantee against a spiralling of prices initiated in key sectors and products.

The private sectors which control production of basic commodities and are in a position to influence prices shall cooperate in maintaining stable prices.

5. Specific Projects

a. Specific Projects of the Cooperative Administration Office: 1966 - 1970

1) Cooperative Insurance to handle non-life insurance of cooperative societies and their members.

a) The idea is to be broached and organization to take place before a Congress of Cooperatives to be held sometime in the 2nd year. Previous survey indicates necessity and willingness of cooperatives to form one.

b) To be financed entirely by cooperatives; technical assistance to be procured from the ILO and the Insurance Commissioner.

2) Cooperative College to undertake the educational

aspect of the Cooperative Movement in the Philippines and the training of cooperative leaders, to be accomplished on the 3rd year.

a) To be entirely financed and operated by cooperatives.

b) Initial operations of the college to be handled by the Central Cooperative Educational Board (CCEB), a private educational agency established under R.A. 2023.

c) Technical assistance to come from the education and training division of the CAO, from the ILO, and from the Department of Education.

3) Philippine Cooperative Wholesale Society to be organized on the 4th year in accordance with R.A. 2023 (Sec. 2, 127-143, and 153 thereof).

a) This calls for a release of:

₱1.125 M for the 1st year of operation
₱1.175 M for the 2nd year of operation
₱1.225 M for the 3rd year of operation
₱1.275 M for the 4th year of operation

b) This amount is to come from the Bond Fund as provided in Section 153 of R.A. No. 2023.

4) Organization of a cooperative society for every town in the Philippines. There are 1,356 towns as per 1960 census but there are only 375 towns with operative cooperative societies presently. Kinds of cooperative society that may be organized are:

a) Consumers cooperative society as outlets for consumer goods providing the members thereof with quality goods and services;

b) Credit unions to encourage thrift among the members, grant loans to the members for provident and productive purposes at a low rate of interest, and to combat effectively the evils of usury; and

c) Industrial cooperatives to undertake the direct purchase of supplies and raw materials, to engage in production, to achieve improved methods and techniques, and to market finished goods as to afford the members the maximum return of their labor and skill.

Budgetary needs of the CAO to implement the four-year Cooperative Development Program:

FY 1966-67 - ₱1,005,000
FY 1967-68 - ₱1,500,000
FY 1968-69 - ₱2,000,000
FY 1969-70 - ₱2,500,000

b. Bureau of Standards Projects

1) Standards Promotion:

a) Establishment of standards for all Philippine products which no standards have as yet been fixed by any law.

b) This will require highly trained scientists, technicians, technologists, and a well-equipped laboratory.

c) Education and mass information media on standards set for the public and interested parties.

2) Regulatory activities:

a) To be undertaken by the Inspection Division, Legal Division, and partly by the Field Service Unit whose activities include those of standards promotion.

3) Special projects of standards promotion through industrial demonstrations:

a) To establish a well-equipped laboratory for researches, testing, and investigation.

b) To conduct industrial demonstrations on quality control so as to keep manufacturers, traders, and interested parties abreast with current trends in trade and industry, modern designs and demands of certain industries, and to develop new processes with a view to assisting producers and traders in their production of quality products.

c) To purchase projection units to inform people of current standardization activities here and abroad and other related matters.

Budgetary needs to carry out above projects:

FY 1965-66 - ₱1,318,910

FY 1966-67 - ₱1,561,260

FY 1967-68 - ₱2,597,305

FY 1968-69 - ₱2,677,627

FY 1969-70 - ₱2,717,627

FY 1970-71 - ₱2,757,720

c. Reorganization and Revitalization of NAMARCO There is need for streamlining the present organizational setup of NAMARCO to be patterned after that of private marketing organizations. The personnel must be properly screened to meet the standards set by private firms and political considerations in the choice of personnel shall be discarded. With the present tax-exemption privilege of NAMARCO under its charter, it must be made to function and fulfill its objective of helping Filipino retailers on a self-sustaining basis through more dynamic purchasing and pricing policies. Direct financial subsidy shall be allowed only when there is an urgent necessity for stabilizing prices of prime commodities. Distribution of NAMARCO goods shall be done exclusively through natural-born Filipinos only.

External Trade and International Balance of Payment Program

1. Current Situation

a. International Balance of Payment The Philippines has been perennially suffering from a chronic imbalance in her payment accounts. The favorable balance of $20.45 million enjoyed in FY 1963 was short lived as it turned into a deficit the following year, FY 1964, by $4.60 million which further deteriorated to $95.73 million in FY 1965. The substantial deterioration in the balance of payment deficit in 1965 was influenced by the reversal of the trade balance at current prices from that of a favorable one amounting to $58.81 million in FY 1963 to an unfavorable balance of $41.70 million in FY 1965, and a tremendous increase in capital payments (short term) from $13.94 million in FY 1963 to $187.46 million in FY 1965. The following major accounts play an important role in our balance of payment transactions:

	FY 1963 (In M US dollars)			FY 1964 (In M US dollars)		
	Income	Payment	Balance	Income	Payment	Balance
Balance of Trade	628.38	569.57	+58.81	740.81	720.63	+20.18
Balance of Services	69.47	137.71	-68.24	95.82	137.14	+41.32
Other Services	96.05	75.37	+20.86	84.88	31.39	+53.49
Balance of donations:						
a) Private	84.62	1.94	+82.68	65.16	4.90	+60.26
b) Public	14.25	1.00	+13.25	20.07	1.83	+18.24
Capital:						
a) Long term	1.08	34.86	-33.78	0.43	29.13	-28.70
b) Short term	2.49	16.46	-13.97	-	27.82	-27.82
Government	0.36	1.38	- 1.02	0.04	27.26	-27.22
Financial institutions	10.30	48.26	-37.96	22.76	54.47	-31.71
Adjustments		20.45		4.60		
	907.00	907.00		1034.57	1034.57	

	FY 1965 (In M US dollars)		
	Income	Payment	Balance
Balance of Trade	743.20	784.90	-41.70
Balance of Services	108.92	158.62	-49.70
Other Services	131.02	40.11	+90.91
Balance of donations:			
a) Private	106.61	2.69	+103.92
b) Public	14.58	1.12	+ 13.46
Capital:			
a) Long term	0.32	27.49	- 27.17
b) Short term	-	187.46	-187.46
Government	1.32	28.43	- 27.11
Financial institutions	37.12	8.00	+ 29.12
Adjustments	95.73		
	1238.82	1238.82	

It will be observed that there are very severe deficits in the balance of payment which had to be covered out of grants and aids as well as borrowings from abroad. As a consequence of imbalances in our external account, determined efforts are necessary to curtail the demand of the economy by reducing imports and correspondingly expanding or promoting exports to achieve a reasonable balance.

2. Foreign Trade The importance of the country's foreign trade to the overall economic development is clearly indicated in the following table showing the ratio of total foreign trade to total gross national product.

Year	Total foreign trade	Gross national product	Ratio
	(In million pesos at current prices)		
1962	4,365.5	14,935	32.79
1963	5,260.1	15,935	30.29
1964	5,952.6	18,094	30.40

The improvements in the Philippine external trade in FY 1965 has to a certain extent reflected the gains made in the country's attempt to accelerate economic development on a nation-wide scale.

The external trade of the Philippines at constant prices (1960=100) consistently improved from $1,189.8 million in FY 1962-1963 to $1,467.2 million in FY 1964-1965 or an increase of 23.3 percent. Export earnings likewise consistently outpaced the levels of imports resulting in a favorable balance of trade aggregating $335.6 million for the years under review. Exports rose from $663.0 million in FY 1963 to $772.6 million in FY 1965 or an increase of 16.5 percent. Likewise, imports rose by 15.8 percent from $559.7 million in FY 1962-63 to $694.6 million in FY 1964-65. Such increases in the value of exports and imports may be attributed to the dismantling of controls in 1962; the improvement of prices in the world market; the increased importation of capital goods and raw material; and, to a limited extent, on our success in getting increases in sugar quota in the United States market.

a. Imports The composition of the country's ten leading imports has remained essentially the same but for significant changes in the order of importance. The commodity pattern of our imports has exhibited a shifting trend from consumer goods and luxury items to capital goods like machinery and raw materials. Transport equipment; mineral fuels, lubricants and related materials; and machinery, other than electric, were the leading capital goods imported throughout the year under review. This shift is believed to have been influenced by the following:

1) Changes in government policies and measures aimed at developing our economy at an accelerated tempo. These include the lifting of controls in 1962, and such corollary measures as tariff modifications, tax exemption, and others.

2) The increased domestic output of imports substitute.

3) The continued expansion of our industrial base requiring huge investment in terms of capital goods and raw materials imports.

The expansion of the local production of import substitutes may be gauged from the diminishing ratio of importation of such commodities to the local production of the product as computed from Central Bank figures shown in the following:

Commodities	1960	1961	1962	1963	1964	1965
Chemicals	41.4	25.3	44.0	35.4	39.1	
Textile yarns & made-up articles	33.3	15.7	28.6	21.3	18.6	
Manufactures of metals	27.0	12.9	26.9	20.6	21.1	
Tobacco	0.8	0.1	1.4	1.9	0.8	
Transport equipment	476.3	104.5	182.7	120.1	119.1	
Beverages	0.3	0.3	1.1	1.1	1.1	
Rubber Manufactures	10.1	6.0	11.1	9.0	10.9	
Electric Machinery apparatus & appl.	109.1	55.7	84.3	94.4	107.6	
Sugar & sugar preparations, coffee, tea, cocoa, spices and Mftrs. thereof	15.9	5.5	13.1	9.2	9.7	
Dairy products, eggs & honey	168.3	104.4	167.8	83.9	81.1	
Non-metallic mineral mftrs.	23.5	22.5	32.1	31.6	32.7	
Wood & cork mftrs.	4.5	1.1	2.0	1.6	2.3	

Commodities	1960	1961	1962	1963	1964
Paper & paperboard manufactures	151.0	74.2	94.8	114.8	129.3
Fruits & vegetables	21.1	11.0	23.3	34.2	44.1
Pulp & waste paper	22.2	20.5	24.4	23.2	19.4
Machinery, other than electric	1.3	5.8	5.8	6.5	4.9

While production trend shows a general increase in value from 1960 to 1964, many of these local industries, having been newly established were caught unaware by the sudden lifting of controls, hence were unprepared to compete in the market.

A number of local industries have apparently become depressed during the period from 1960 to 1964 as shown by the increasing ratio of the importation of similar items produced compared to the local production. These commodities are tobacco, transport equipment, wood and cork manufactures, paper and paperboard manufactures, preserved fruits and vegetables, and pulp and waste paper.

b. Exports - The country's ten principal exports are still dominated by traditional raw materials, although a slight tendency to diversify has occurred recently. Items like coconut oil, canned pineapples, plywood, handicrafts, textiles and other manufactured items have lately found markets abroad. Our export earnings, however, still come largely from our traditional export crops which in FY 1964-65, constitute about 84% of our total export earnings.

c. Net Terms of Trade The country's net terms of trade deteriorated from 87.7 (1960 = 100) in 1962-63 to 86.4 in 1963-64 and to 85.1 in 1964-65. The upward trend of world prices for our staple export products was not able to keep pace with the rise of world prices for our major imports, thus resulting in the deterioration of the country's net terms of trade.

d. Direction of Philippine Foreign Trade Over the period of FY 1962-63 to FY 1964-65, the direction of the country's external trade has been shifting gradually from the United States to the European and other Asian countries. The United States share of 44.9% in the country's total trade in FY 1962-63 has declined to 42.3% in FY 1964-65. Meanwhile, the share of the European Common Market of the country's total trade has increased by 7.0% in FY 1963-64 but decreased by 2.2% in FY 1964-65; that of Japan and other Asian countries increased by an average of 1.9%.

Despite the diminishing share of the United States in our foreign trade, she still remained as the country's leading buyer and supplier sharing an average of 43.2 per cent of the total Philippine trade for the years under review. Japan was next with an average share of 23.2 per cent; the European Common Market and other Asian countries third and fourth with an average share of 14.0 per cent and 6.9 per cent, respectively. The remaining portion was shared by the Outer Seven - 5.0 per-cent and followed by the Middle East countries, Africa and others. Our foreign trade has been observed to be shifting from the United States to Western Europe and Southeast Asia.

e. Philippine Foreign Trade and Per Capita Income Per capita income at 1960 prices from total foreign trade shows a fluctuating trend from $42.1 million in FY 1956 to $45.4 million in FY 1965 or an increase of 7.8%. Assuming that all measures, policies and projects proposed in the program will be implemented, it is expected that per capita income from trade will follow an uptrend from $1,858.6 million in FY 1966 to $3,264.8 million in FY 1970 or an average yearly increase of 15.1%.

f. Filipino Participation in Philippine Foreign Trade Official statistics from the Bureau of Commerce show that Filipinos appear to have dominated the country's foreign trade during the period under review. From 1962 to 1964 an average of 67.5 per cent of the country's total trade was participated in by Filipinos and only 32.5 per cent went to foreigners; an average of 64.0 per cent for the import trade belonged to Filipinos and only 36.0 per cent went to foreigners; and for the export trade, an average of 70.6 per cent was participated in by Filipinos and only 29.4 per cent belonged to foreigners.

g. Tourism The tourist industry flourished and was on the uptrend from FY 1962-63 to FY 1964-65. Tourist traffic increased by 19.7 per cent, climbing from 66,589 in FY 1962-63 to 79,701 in FY 1964-65. In like manner, receipts from foreign tourists rose from $12.4 million in FY 1962-63 to $16.5 million in FY 1964-65, an increase of 33.1 per cent. The status of the tourist industry for the period under review is shown as follows:

Year	Volume of Traffic	Receipts from foreign tourists (dollars)
1962-63	66,589	12,448,890
1963-64	71,850	15,088,500
1964-65	79,701	16,498,107

2. Problems The problems being encountered in foreign trade are the following:

a. Limited items of exports and few market outlets;

b. Lack of bottoms and exorbitant freight rates on our exports and imports by international shipping cartels;

c. Absence of an effective machinery to handle and undertake export promotion activities;

d. The gradual phasing out and final termination in 1974 of preferential trade with the United States;

e. Smuggling of goods both into and outside of the country;

f. High tariff duties on coconut oil in Europe; and

g. Ban on direct trading with communist countries.

3. Basic Objectives

a. To effect and maintain international balance of payments equilibrium;

b. To help in the fulfillment of the production, investment and consumption targets set in the program; and

c. To enhance the economic bargaining position of the country vis-a-vis other foreign countries so as to enable the Philippines to maintain its political as well as economic identity as an independent nation.

4. The Plan

a. Goals One of the more important problems confronting the economy today is the vulnerability of our external accounts both over the medium term and over the long run. The shortage of foreign exchange brought about by a recurring excess of import expenditures over export receipts sets a limit to the rate of capital formation and economic development that could possibly take place.

Since exports and other receipts account for 21 per cent of Gross National Product, their growth will have considerable impact on overall income growth and on the rates of savings and investment.

In an accelerated tempo of development, import requirement for raw materials and capital goods are bound to rise. While substantial increases are achieved in domestic output to replace and reduce imports in certain lines, other imports tend to go up. Imports in the aggregate are thus unlikely to fall; in fact they tend to grow. A viable balance between imports and exports, and more important between receipts and payments can be reached only on the basis of a progressive increase in the capacity to produce capital goods and raw materials as well as strengthen if not expand further the capacity to export.

b. Measures and Policies   To realize these goals, the following measures and policies shall be adopted:

1) Expansion and diversification of exports   Normal exports during the last ten years have an average yearly rate of growth of 6.2 per cent in spite of the deteriorating net terms of trade. The program's target is set at an average yearly rate of growth of 11.8 per cent which is premised on an assumed increased and diversified production of export products as discussed in detail in the agriculture and industrial sectors' plan. To insure the efficient and most advantageous marketing of the country's exportable products, the following specific courses of action shall be fully implemented:

a) Aggressive and more systematic trade promotion abroad- to implement this measure, the government shall continue to perform its basic functions on foreign trade promotion and regulation on a more progressive and efficient manner. Congress shall enact a law creating a National Export Trade Authority, an agency to carry on the functions of the various government agencies involving foreign trade promotion and regulation in a centralized system. An added unique functions of the Authority shall be to assist and encourage the organization of export trading companies or associations to handle the selling of export products abroad;

b). Enter into bilateral or multilateral trade agreements with co-trading countries so as to assure our trader's of definite trade relations with foreign countries and not just depend on the day-to-day goodwill of such countries;

c) More effective standardization and grading of export products;

d) export duty shall be levied on raw material exports which are being utilized by domestic industries or are being processed locally for export as processed products;

e) Adopt a more expeditious system of processing export papers thru a centralized agency;

f) To establish overseas trade centers for the display of selected Philippine goods;

g) To actively participate in international fairs and expositions for the promotion of new export products particularly manufactured goods;

h To conduct effective and systematic market surveys abroad for Philippine goods;

i) To provide export incentives for new types of exportable products;

j) To organize on a cooperative basis with other copra co-exporting countries so as to attain a strong bargaining position vis-a-vis international cartels on copra trading; and

k) To increase Philippine bottoms and to find ways and means of going against international shipping cartels.

2) To discourage imports of luxury goods and goods

which are already manufactured locally in commercial quantity and to encourage imports of the much needed capital goods- to attain this objective, the following measures shall be adopted:

a) A flexible tariff system which could be easily adjusted to meet the changing conditions that may arise in view of developments. The general criteria under which this shall be imposed is discussed in detail elsewhere under "Tariff Policy and Customs Procedures";

b) Tax exemption under the Basic Industries Act shall be continued. The Board of Industries shall facilitate the processing of claims for tax exemption to speed up the setting of industrial plants;

c) Filipino exporters of manufactured or semi-processed goods shall be allowed to import tax-free capital goods for their own use or for setting up of necessary industries;

d) Smuggling shall be curtained through the joint efforts of all government agencies and the private sector; and

e) Tax-free importation of consumer goods shall be allowed only under exceptional cases, and only when the President declares that the country is in a state of emergency and there is an undue spiralling of prices for basic consumer goods.

In this case, the Cooperative Administration Office shall assist and encourage such importation thru the various cooperative associations together with the distribution of such goods to the public at prices fixed by a Price Committee under the Office of the President.

In case of rice and corn shortage, the Rice and Corn Board shall take charge of importation and distribution thereof.

3) Tourism On the basis of past trends from FY 1955-56 to FY 1963-64, it is expected that the volume of traffic and receipts from foreign tourists would follow an upward trend from FY 1965-66 to FY 1969-70 as shown in the following:

Fiscal Year	Projections Volume of Traffic (thousand)	Receipts from foreign tourists (million U.S. dollars)
1965-66	81	16.2
1966-67	87	17.6
1967-68	93	19.0
1968-69	99	20.4
1969-70	105	21.8

With the dollar now exchanging with the peso at the free market rate and the growing interest of people particularly from Western countries in visiting Asia and the Far East, the Philippines shall be in a position to exert greater efforts at obtaining a rising share of the world's expanding tourist trade.

The program, therefore, proposes the following measures to achieve an expanding share in the volume of tourist traffic and receipts from foreign tourists and to stimulate domestic tourism:

a) Creation of the Philippine Tourist Commission to be proposed in a legislative bill whereby the Board of Travel and Tourist Industry and the Philippine Tourist and Travel Association, Inc. shall be integrated and shall perform the following principal functions:

(1) To carry out an integrated publicity and promotion program abroad and within the country calculated to interest, attract and induce foreign residents to visit and see the Philippines and to stimulate domestic tourism;

(2) To accelerate the development of tourist attractions, facilities and conveniences by extending assistance to private enterprises in the form of technical and counterpart loans;

(3) To encourage educational tours and increase travel within the country as a means of developing local tourism and bringing about more extensive intercourse and national unity among the people and greater familiarity with the country's historic spots and natural resources;

(4) To initiate the removal of unnecessary travel barriers and the simplification of travel regulations and requirements, and effect efficient, fair and courteous enforcement thereof to assure expeditious, pleasant and hospitable reception of all tourists and visitors;

(5) To assist travel agencies, tour contractors,

hotel and restaurant owners, carriers and transportation operators, and civic and cultural groups or associations, as well as local governments, in undertaking worthwhile tourist promotion programs and development projects;

(6) To prepare, prescribe and enforce hotel regulations for the classification, licensing and supervision of the operation and maintenance of hotels, motels, resorts and other commercial establishments that provide accommodations to foreign and local tourists and travellers and to require their owners or operators to submit or report periodically such information as may be necessary for this purpose;

(7) To license and regulate travel agencies and related business and to supervise all facilities and services that cater to foreign visitors and travellers by prescribing suitable standards for their operation and maintenance and giving its seal of approval to those that pass standards for the information and protection of foreign visitors;

(8) To conduct and develop training courses and apprenticeship programs for tour guides, waiters, bell boys and other similar vocational workers; promote and manage training seminars for hotel managers, travel agents and tour contractors; anf fix and collect fees therefrom;

(9) To publish and disseminate books, pamphlets, brochures and other literature and publicity materials and to enter into contracts with private publishers or printers

for such printing and binding works as may be necessary for this purpose; and

(10) To employ public relations or advertising counselors and, if necessary, to engage or contract the services of any individual, firm or corporation on commission basis or otherwise to undertake specific or specialized tasks.

b) Establishment of regional tourist centers in the ECAFE region as embodied in the Philippine Treaty with the Association of Southeast Asia (ASA).

Prospects for Foreign Exchange Receipts

An estimate of our foreign exchange earnings within the next four years was made to provide a picture which could serve as a guide in planning and identifying the areas of domestic policy action which would maximize the use of these resources.

The projection of expected receipts from our merchandise exports was based on several considerations. First, an observation was made on the historical trend of our export receipts at constant 1960 prices, from FY 1956 to FY 1965. This trend was projected side by side with the programmed Gross Domestic Product, assuming a positive correlation between exports and GDP. Due consideration was also given to current and prospective developments in the domestic and world markets although no attempt has been made to determine the precise effect of exogenous factors like demand elasticity on our exports. Non-merchandise export receipts were projected in the light of current developments. Lastly, steps which would likely enhance our foreign exchange resources were identified.

At FY 1960 prices, our aggregate annual foreign exchange receipts ranged from $471 million in FY 1956 to $772 million in FY 1965. About 60 per cent of our foreign exchange earnings from our ten principal exports (which constitute 85 per cent of our total export trade) come from copra, sugar, logs and lumber.

Our foreign exchange earnings from coconut products such as copra, desiccated coconut and coconut oil are expected to increase although not at a fast rate in view of the discovery and production of effective substitutes by the European Economic Community and the United States - our principal markets for our coconut products. This effect could however be neutralized by an intensive research designed to tap added uses of coconuts.

FY 1965 figures show that sugar still ranks second among our premier dollar earners. Our dollar earnings from sugar, however, hinged heavily on the United States market which still offers twice the world price for our sugar. An additional quota was granted the Philippines in 1962 and this further increased our dollar earnings coming from this source. The main problem with respect to this commodity is that it is primarily U.S.-oriented. Consequently, there is a need for:

1. Search for other markets; and
2. Improvement of our production techniques and organization

to cut down costs in order to make it more competitive in the world market.

Prospects for increased foreign exchange receipts from logs and lumber are bright but this depends largely on domestic policies with respect to log exportation. It is believed that log exports should be reduced to the quantity needed to fill in the need for foreign exchange which could not be had from increased exports of plywood and veneer. This would enhance the growth of our other dollar earners- the plywood and veneer industry besides lumber. This would be a step forward in the right direction as this would mean a shift from raw material exports which is indicative of an underdeveloped economy, to semi-processed and processed goods. Incidentally, this would also help ease our unemployment problem. It may be mentioned in this connection that about 80 per cent of Japan's plywood exports are processed out of Philippine logs, thus unfairly competing with our domestic plywood industry.

Our mineral products such as iron ore, copper concentrates and chrome ores are expected to boost our foreign exchange earnings during the program period. With the expected start of operations of the Iligan Integrated Steel Mill, our export receipts from iron ore is expected to decline. This loss could however be more than offset by the increased production of import substitutes out of steel. It may be noted that the bulk of our mineral products are exported to Japan for the present. It is expected that this trend will continue to be so.

Our prospective dollar receipts out of unmanufactured abaca and abaca rope depend upon our ability to:

1. Maintain steadily our markets abroad for these products even in the face of strong competition posed by henequen, sisal and other synthetic materials;

2. Maintain our supply; and

3. Lower our cost of production to better our world competitiveness.

Pricewise, wholesale prices of our major export products show a picture of encouragement. There has been a general upward trend for almost all products from 1946 to 1965.

Receipts from non-trade transactions have continued to increase from $111.05 million in 1961 to $208.62 million in 1964. United States government expenditures locally, represent the biggest share among the different non-trade receipt items. This alone amounted to $31 million in FY 1963 and in 1965, this was upped to $51 million which was 61 per cent of our total non-trade receipts. This amount is still expected to increase further in view of the degenerating situation in Southeast Asia particularly in South Vietnam. Gold production in FY 1965 amounted to $15 million as against $13 million in 1963. Earnings from other non-merchandise items have also been going up with a marked increase in FY 1965 of $49.39 million from the 1964 level of $124.39 million.

Total unilateral transfer receipts fluctuated from $85 million to $121 million during the last three-year period averaging $100 million annually.

On the payments side, outward investment remittances abroad have continued on the uptrend. Outward investment remittances for FY 1965 totalled $44.17 million. Payments for other non-merchandise imports generally assumed a slight downward trend.

Estimates of foreign exchange outlays were projected considering the import needs of the different economic sectors specially manufacturing as follows:

Public Sector
(At 1960 prices in million U.S. dollars)

	1967	1968	1969	1970	Total 1967-1970
TOTAL	36	42	50	61	189
Agriculture	3	3	4	5	15
Mining and Manufacturing	10	11	14	17	52
Construction	8	8	9	11	36
Trade	3	3	4	5	15
Transportation and Communication	10	13	15	19	57
Services	2	4	4	4	14

Private Sector
(At 1960 prices in million U.S. dollars)

	1967	1968	1969	1970	Total 1967-1970
TOTAL	373	442	522	622	1,959
Agriculture	27	33	41	50	151
Mining and Manufacturing	100	119	141	170	530
Construction	81	89	98	108	376
Trade	28	34	40	49	151
Transportation and Communication	108	132	159	194	593
Services	29	35	43	51	158

Our import requirements were broken down according to end-use, i.e., capital goods, raw materials and consumer goods as shown in the following estimates:

(At 1960 prices in million U.S. dollars)

	1967	1968	1969	1970
TOTAL	1,183.25	1,372.00	1,580.75	1,829.25
Machinery and Equipment	409.00	484.00	572.00	683.00
Raw Materials and Supplies	645.28	748.06	857.00	981.62
Consumer Imports	128.97	139.94	151.75	164.63

Estimates of capital good imports were based on the volume of durable equipment during the program period. Those of raw material imports and consumer goods were tied up with the expected value added for industry, contained in the macro-model, for the former and with the programmed Private Consumption Expenditures for the latter. Heavy importation of capital goods and raw materials is expected. Consumer good imports are also expected to rise in view of the fact that local production would not still be sufficient to cope with rising consumer demand as consumption is expected to rise due to the anticipated rise in incomes. It may be stated however that while aggregate imports are expected to rise, the rate of increase for capital good and raw material import will be much more than that for consumer imports. The minimum additional foreign exchange required to achieve the pattern and pace envisioned in the plan is in the magnitude of $2,148 million for the four-year period.

To establish a picture of the extent of foreign exchange resources that shall be available during the plan period, an estimate. of our capacity to import as shown in Table X.2 was made on the basis of the following assumptions:

1. U.S. government expenditures are expected to average $76.74 million annually. This assumes a 50 percent increase over the 1965 level of $51.16 million in view of the tension in Southeast Asia;

2. Receipts from gold production are assumed to be $14.35 million yearly, the average gold production during the last six years;

3. Freight and insurance receipts are estimated to increase by $2 million annually from the average of the 1963-65 level of $12 million. This assumption is based on the expected increase

Table X.2 - ESTIMATED CAPACITY TO IMPORT FY 1967 TO FY 1970

(In million U.S. dollars)

Items	FY 1966-67	FY. 1967-68	FY 1968-69	FY 1969-70
1. Merchandise exports	931.00	1,076.75	1,230.25	1,435.50
2. U.S. Government expenditures	76.74	76.74	76.74	76.74
3. Freight and insurance	14.00	16.00	18.00	20.00
4. Non-monetary gold	14.35	14.35	14.35	14.35
5. Donations	115.73	116.73	118.23	119.73
5.1 Private	68.73	69.73	71.23	72.73
5.2 Official	47.00	47.00	47.00	47.00
5.21 Reparations	30.00	30.00	30.00	30.00
5.22 U.S. Public Law 480	13.50	13.50	13.50	13.50
5.23 A.I.D.	3.50	3.50	3.50	3.50
6. Other earnings	160.36	161.76	163.16	164.56
7. Total foreign exchange receipts	1,312.18	1,462.33	1,620.73	1,830.88
8. Non-merchandise import payments	268.03	249.03	238.03	241.03
8.1 Investment remittances	44.17	44.17	44.17	44.17
8.2 Special financing items	67.50	48.50	37.50	40.50
8.3 Others	156.36	156.36	156.36	156.36
9. Capacity to import	1,044.15	1,213.30	1,382.70	1,589.85

in Philippine bottoms;

4. Receipts from other earnings shall continue at the 1965 level of $142.76 million, except for tourist receipts which have been projected as follows:

FY 1967	$17.6 million
FY 1968	$19.0 million
FY 1969	$20.4 million
FY 1970	$21.8 million

5. Receipts from private donations have been estimated as follows:

FY 1967	$68.73 million
FY 1968	$69.73 million
FY 1969	$71.23 million
FY 1970	$72.73 million

Above estimates are still conservative considering that private donations during the last three fiscal years averaged $85.76 million;

6. Investment remittances and other non-merchandise import payments shall continue at the 1965 level of $44.17 million for the former and $156.36 million for the latter;

7. Debt-servicing for special financing items of both the government and private sectors shall follow the annual amortization schedule of the Central Bank, as follows:

FY 1967	$67.5 million
FY 1968	$48.5 million
FY 1969	$37.5 million
FY 1970	$40.5 million

8. Grants-in-kind are also expected to beef up our capacity to import. Reparations proceeds shall follow the annual schedule of payments embodied in the Reparations Law which is $30.0 million. Annual AID grants are expected to remain at the 1963-65 average level of $3.5 million while commodities under U.S. Public Law 480 shall continue to be provided annually in the amount of $13.5 million.

On the basis of the estimated capacity to import, a foreign exchange budget was derived as shown in Table X.3.

Foreign Economic Policy

1. International Trade Policy One of our major existing international trade policies which evolved out of the Philippine Government's political commitment with the Free World, is the censure against direct trading with communist countries. Strict adherence to such commitment has restricted the country's trade to the countries of the Free World. However, indirectly, Philippine exports find their ways to the communist countries via the free countries mostly our allies in the SEATO who have liberalized their trading policy with the communist bloc. This, in a way, has caused the Philippine economy to forego additional foreign exchange earnings which could have accrued from direct trading with the bloc.

With the enactment of the Tariff and Customs Code of the Philippines, R.A. 1937, the Philippines has formally adopted the

Table X.3 - PROPOSED FOREIGN EXCHANGE BUDGET: FY 1967-FY 1970

(In million U.S. dollars)

Items	1966-67	1967-68	1968-69	1969-70
I. Estimates of foreign exchange receipts from regular sources	1,265.18	1,415.33	1,573.73	1,783.88
1. Merchandise export receipts	931.00	1,076.75	1,230.25	1,435.50
2. Invisible receipts	334.18	338.58	343.48	348.38
2.1 U.S. Government expenditures	76.74	76.74	76.74	76.74
2.2 Non-monetary gold	14.35	14.35	14.35	14.35
2.3 Private donations	68.73	69.73	71.23	72.73
2.4 Freight and insurance	14.00	16.00	18.00	20.00
2.5 Other earnings	160.36	161.76	163.16	164.56
II. Estimates of foreign exchange receipts from extraordinary sources	47.00	47.00	47.00	47.00
1. Reparations	30.00	30.00	30.00	30.00
2. U.S. Public Law 480	13.50	13.50	13.50	13.50
3. A.I.D.	3.50	3.50	3.50	3.50
III. Total foreign exchange receipts from regular and extraordinary sources	1,312.18	1,462.33	1,620.73	1,830.88
IV. Total import requirements	1,183.25	1,372.00	1,580.75	1,829.25
1. Foreign exchange requirements for essential consumer goods, producer goods, & raw materials for operation of existing plants	774.25	888.00	1,008.75	1,146.25
2. Minimum additional foreign exchange requirements to achieve the pace & pattern envisioned in the program	409.00	484.00	572.00	683.00
V. Other disbursements	200.53	200.53	200.53	200.53
1. Philippine Government expenditures	11.25	11.25	11.25	11.25

Table X.3 - Proposed Foreign Exchange Budget (cont'd.)

Items	1966-67	1967-68	1968-69	1969-70
2. Miscellaneous:				
2.1 Investment remittances	44.17	44.17	44.17	44.17
2.2 Other invisibles	145.11	145.11	145.11	145.11
VI. Total foreign exchange required	1,383.78	1,572.53	1,781.28	2,029.78
VII. Excess of disbursements over receipts	71.60	110.20	160.55	198.90
VIII. Special compensatory financing				
1. External loans	140.00	140.00	140.00	140.00
1.1 Export-Import Bank	60.00	60.00	60.00	60.00
1.2 I.B.R.D.	40.00	40.00	40.00	40.00
1.3 Development Loan Fund	30.00	30.00	30.00	30.00
1.4 U.S. Public Law 480	10.00	10.00	10.00	10.00
2. Less:				
2.1 Debt servicing	8.60	16.20	31.30	46.00
2.2 Capital outflow	67.50	48.50	37.50	40.50
	76.10	64.70	68.80	86.50
IX. Net inflow of long-term capital	63.90	75.30	71.20	53.50
X. Medium and short-term capital movements	17.70	44.90	99.35	155.40
XI. Net additions to international reserves	10.00	10.00	10.00	10.00
XII. Total international reserves[a]	158.52	168.52	178.52	188.52

[a] Estimated amount of international reserves as of June 30, 1966 is $148.52 million.

Note: International reserve as of June 30, 1965	—	$147.03 million
Add: Average annual increase FY 1963-1965	—	1.49 million
Estimated international reserve as of June 30, 1966.	----------	$148.52 million

Table X.4 - ESTIMATED INTERNATIONAL TRANSACTIONS: FY 1967-70

(In million U.S. dollars)

Items	FY 1966-67	FY 1967-68	FY 1968-69	FY 1969-70
A. Balance of transactions in goods, services, donations and capital				
I. Current account:				
1. Goods and services:				
a. Merchandise	(252.25)	(295.25)	(350.50)	(393.75)
b. Non-monetary gold	14.35	14.35	14.35	14.35
c. Services:				
Travel	(19.18)	(17.78)	(16.38)	(14.98)
Transportation	(49.00)	(47.00)	(45.00)	(43.00)
Insurance	(1.40)	(1.40)	(1.40)	(1.40)
Investment income	(32.43)	(32.43)	(32.43)	(32.43)
Government	65.49	65.49	65.49	65.49
Other services	90.91	90.91	90.91	90.91
Total	54.39	57.79	61.19	64.59
Net transactions in goods and services	(183.51)	(223.11)	(274.96)	(314.81)
2. Donations:				
a. Private	66.04	67.04	68.54	70.04
b. Official (including reparations from Japan)	45.87	45.87	45.87	45.87
Net donations	111.91	112.91	114.41	115.91
Net balance on current account	(71.60)	(110.20)	(160.55)	(198.90)
II. Capital transactions:				
1. Net inflow of long-term capital	63.90	75.30	71.20	53.50
a. Inflow	140.00	140.00	140.00	140.00
b. Outflow	67.50	48.50	37.50	40.50
c. Servicing of new loans	8.60	16.20	31.30	46.00
2. Compensatory balance of payments	7.70	34.90	89.35	145.40
a. Short-term capital movements	17.70	44.90	99.35	155.40
b. Addition to international reserves	10.00	10.00	10.00	10.00

unconditional most-favoured nation clause or non-discrimination policy. The Code provides only one column tariff schedule which is applied indiscriminately to all third countries who do not discriminate on Philippine exports. The only exception to such schedule is the preferential agreement with the United States under the Laurel-Langley Agreement. This policy of non-discrimination has already gained universal acceptance. The basic instrument of the General Agreement on Tariff and Trade (GATT) has been premised on said policy.

In line with the objective of expanding and diversifying our export market, the above policy shall be continuously pursued.

2. Policy on Accession and Membership in International Organizations and Programs The Philippines is either signatory or member of international organizations and conventions which are designed to serve her national political and economic interests and the interests that she shares with other peoples of identical aspirations and goals. The Philippines has continuously given loyal support to the United Nations and has actively participated in the intensified effort of the United Nations Conference on Trade and Development (UNCTAD) which is directed towards narrowing the gap between the highly developed countries and the developing ones. The country as a member has actively participated in the establishment of the Southeast Asia Treaty Organization (SEATO), the Association of Southeast Asia (ASA) and MAPHILINDO. Close cooperation with the Economic Commission for Asia and the Far East has been

duly rewarded with the choice of Manila as the site of the Asian Development Bank. The establishment of the Copra Trade Board, in the ECAFE, which is designed to strengthen the bargaining power of the copra-producing countries within the region as against existing international cartels which usually dictates the world prices for copra has been initiated by the Philippines.

The program will continue to pursue all the above-mentioned cooperative working relationships with international organizations and conventions on the basis of friendship with all nations who treat the Philippines as their equal and have identical goals and aspirations. The guidelines for accession to said organizations or conventions should be the general welfare, national economy and/or national defense of the country and that such accession shall serve to promote the prosperity, security and liberty of the Filipino people.

Continued loyal support shall be given to the United Nations. Intensified cooperation in economic, cultural and political fields with other developing nations shall be relentlessly pursued. The Philippines shall join and possibly lead the developing countries in the intensified effort of the UN Conference on Trade and Development (UNCTAD) to help narrow the gap between the highly developed countries and the developing ones.

The Philippines although a signatory to the General Agreements on Tariff and Trade (GATT), has not yet acceded as a member. At present, the disadvantages of Philippine accession to GATT appear to outbalance the advantages especially in the failure of said organization to narrow the gap between the rich and the poor member countries. However, the Philippines should not completely close her door to such organization. Accession thereto shall be made when circumstances in the future warrant.

Close relations with allied countries shall be maintained on a basis of mutual respect, equal dignity and genuine identity of purpose. Thus, the Bases Agreement with the United States shall continue to be negotiated under the above guidelines.

With the impending termination of the Laurel-Langley Agreement in 1974, the most feasible policy to adopt appears to be the conclusion of a new Treaty of Amity, Commerce and Navigation that will define clearly the political and economic relations between the two nations with the following to serve as a frame of reference:

1. Abrogation of the parity rights under the agreement so as to remove a major irritant in Philippine-American relations and instead the inclusion of new provisions providing for a reciprocal most-favoured-nation treatment with regards to the following:

a. disposition, exploitation, development, and utilization of natural resources and the operation of public utilities;

b. customs duties or external taxes to be imposed on products originating from either country which are not subject to any other preferential treatment under the agreement;

c. internal taxes to be imposed on products originating from either country;

d. shipping, transit, and trans-shipment; and

e. immigration and sojourn of American and Filipino businessmen in either country.

2. Rights accruing to Americans in the Philippines by virtue of the agreement shall only be extended to those who have invested in the country not later than 1969.

3. Increase or at least maintenance of existing duty free quotas, tariff and other preferences for our staple exports, principally sugar, coconut products, abaca and cordage, embroidery, tobacco, and wood products.

4. Maintenance of the present tariff and other preferences for U.S. exports to the Philippines and possibly grant quotas for U.S. movie films, machinery, and food imports in exchange for the quota in favor of the Philippines as stated above.

Existing arrangements that no longer serve the country's interest shall be reviewed and amendments effected to suit the changing national and international developments.

The country shall capitalize on the advantages offered by existing regional organizations like the SEATO, ASA, and MAPHILINDO in strengthening her capabilities to ward off aggression, strengthen the economy and enrich cultural traits.

3. The Philippine Government shall initiate the move to consider with our allies, fellow members and Asian neighbors,

ways and means which can more effectively serve their regional interests.

Friendship and goodwill toward the Indonesian people will be intensified.

Present policy of frienship with the Republic of China shall be strengthened. The procedure for the entry of persons of Chinese origin shall be re-examined to seek an early and just settlement of the long-pending problem of over-staying Chinese.

Relations with Japan shall be established towards a more stable political and economic arrangement. The Treaty of Amity, Commerce, and Navigation Between the Philippines and Japan which has not yet been ratified by the Philippine Senate has been judiciously examined and found not conducive to the maintenance of a stable political and economic relationship between the two countries. The Philippine Government shall therefore seek to renegotiate with Japan in the light of the decontrol program and other major changes affecting the economy as well as our international economic relations with the outside world. The term of reference for renegotiation shall be as follows:

a. Trade Trade relations between the two countries shall be premised on the principle of nonconditional most-favoured-nations treatment.

b. Investment Entry of Japanese investments in the Philippines should be welcome preferably in the form of loans and joint ventures with 60 percent or more Filipino participation.

The area of investment should be the same areas as approved by the National Economic Council for investors of other third countries.

c. Reparations Payment

1) Under the Reparations Agreement after the 10th year period, payments may be accelerated to a shorter period so that the payment will be increased from $30 million to a greater amount per annum.

2) Longer repayment period and reduced interest rate on the loan component of the reparations agreement.

d. Air Agreement Negotiate a bilateral air agreement with Japan providing for fifth freedom rights beyond Tokyo and Manila for the Philippine and Japanese airlines respectively.

e. Immigration Policy adopted for other third countries should be extended to Japan.

f. The ban imposed by Japan on Philippine exports of bananas and shrimps under the guise of sanitary measures is a violation of the principle of non-discrimination, hence, should be eliminated.

4. Foreign Investment Policies The areas of investment in the Philippines could be grouped into three major classes in as far as foreign investment policies are concerned, namely:

a. Areas of investment fully open to foreign investment up to the extent of 100 percent foreign capital are the following:

1) Manufacturing;

2) Import;

3) Export;

4) Wholesale; and

5) Insurance.

b. Areas partly nationalized and open to foreign investment in joint venture with Filipino capital namely:

1) Exploitation and development of the natural resources, such as:

- a) Agriculture - 60 percent Filipino capital
- b) Forest industries - 60 percent
- c) Fishery - - - - - - 60 percent
- d) Grazing - - - - - 60 percent
- e) Mining - - - - - - 60 percent
- f) Utilization of National Power - - 60 percent

2) Operation of public utilities

- a) Land transportation - 60 percent Filipino Capital
- b) Coastwise shipping - 60 percent Filipino capital
- c. Air transportation - 60 percent Filipino Capital

3) Bank and banking - 60 percent Filipino capital

4) Cottage industries - 75 percent Filipino capital

c. Nationalized areas of investment closed to Foreign Investment with certain stringent exceptions:

1) Retail Trade (R.A. 1180)—This is limited to Filipino citizens, or 100 percent Filipino-owned associations or corporations fully owned by such citizens with the following

exceptions:

a) Alien individuals who were in this trade on May 15, 1954 are allowed to continue until their death or until their license are revoked or forfeited but their heirs cannot succeed to this right;

b) Under the Parity amendments to the Philippine Constitution and the Laurel-Langley Agreement, United States citizens are accorded the same rights as Filipino citizens in all areas of investment until July 3, 1974 and this includes retail trade.

c) Alien laborer or processor, if his capital does not exceed P5,000; and

d) Alien agriculturist selling the product of his farm.

Tariff Policy and Customs Procedures The present tariff system of the country may for the present be considered as flexible enough to suit the demands of changing economic conditions. Under Section 401 of the Tariff and Customs Code (Republic Act No. 1937), the President is empowered to increase by not more than five times or to decrease by not more than one-half of the statutory rates the duty of any commodity after investigation and public hearing conducted by the Tariff Commission and recommendation of the National Economic Council. This is known as the flexible clause.

Implementing this flexible clause were various executive orders on tariff modification numbered 5, 13-a, 31, 66, 162, 171 and 225. The rates of duty of locally manufactured goods were increased to afford protection to deserving local industries. On the other hand, to enable the producers to bring down or to keep prices within reasonable levels, the duty for capital goods not available locally in sufficient quantity were decreased. However, in most items, it has been noted that the maximum and minimum rates allowed by Congress to the President have already been set in the various Executive Orders, so that in the future when new conditions demand for further revision of rates the President can no longer go beyond the present rates. To remedy the situation and to maintain a real workable flexible tariff sisytem, the Fifth Congress enacted an Omnibus Tariff Bill converting the rates set in Executive Order Nos. 5, 13-a, 31 and 66 into statutory rates and also allowing the President a more flexible power for modification, but the Bill was vetoed.

The Plan Tariff shall be effectively utilized as an instrument of commercial policies to attain the following objectives:

1. To channel foreign exchange to imports of capital goods of high priority in the program by regulating the volume and composition of Philippine imports as well as exports; to induce the importation of capital goods to $5,360 million during the program period, the rate of duties for capital goods shall be set at the lowest possible levels and the duties for non-essential goods shall

be increased or maintained at levels high enough to discourage importation but not unreasonably high to encourage smuggling.

2. To protect deserving domestic industries and encourage the establishment of basic and necessary industries; the rates of duty of local products which are produced in commercial scale and are meeting stiff competition with foreign counterparts shall be fixed at levels high enough to place the local goods in an advantageous competitive position vis-a-vis foreign articles.

3. To be used as a bargaining instrument for getting better concessions from co-trading countries; in entering into trade agreements with third countries, our tariff system shall be utilized to gain concessions for our exports.

4. To combat unfair competition posed by foreign industries or commercial trusts through the imposition of the following:

a. Dumping duty on foreign goods which are being imported into the country and are being sold at very much lower prices than that of the exporting country and causing damages to local counterparts (Section 301, R.A. No. 1937).

b. Countervailing duties on foreign goods exported to the country which are subsidized either directly or indirectly by the country of origin and is likely to injure an established local industry or impede the establishment of the pertinent industry (Section 302, R.A. No. 1937).

With regards to the effective utilization of dumping and countervailing duties to protect local industries from unfair competition posed by foreign suppliers, the local manufacturers and producers shall more actively cooperate with the Department of Finance and the Tariff Commission in reporting such acts and in helping these government agencies arrive at speedy action by supplying the required evidences on prices abroad and existing local industries affected and proposed local industries which co could not be established due to the existence of such unfair competition.

5. To help in maintaining stable prices - The President under Section 402 of R.A. 1937 is empowered to modify the rates of duties of commodities by increasing to not more than five times and decreasing by not more than one-half of the statutory rates after investigation of the Tariff Commission and upon recommendation of the National Economic Council in the interest of the general welfare, national economy and/or national defense. Under this provision, the President shall decrease the rate of duties of highly essential consumers or producers goods for the purpose of stabilizing prices. The rate of duty on rice has been decreased by one-half under Executive Order No. 66 last January, 1964 when the local price for rice went up.

For an effective utilization of the tariff system as an instrument of commercial policies, the following general guidelines shall be adopted:

1. Higher rates of duties shall be imposed on luxury and non-essential goods, than on highly essential goods; and

2. The rates of duties on finished goods shall be higher than the rates of duties on raw materials not available locally in commercial quantity.

For the bargaining aspect of the tariff:

1. Rates of duty should be so adjusted to measure to the degree of concessions expected from the foreign country concerned;

2. Relative importance of the negotiating country in Philippine foreign trade;

3. Probable adverse effects on domestic industries; and

4. Effects of the adjusted rates on foreign exchange.

For the protective aspect of the tariff:

1. There is increased volume of imports of the competing foreign articles resulting in the decrease on the share of the domestic industry in the domestic market;

2. There is no essential need for imports of the article in question in accordance with classification of commodities so that articles falling under the U.I. category which are being produced locally will get the first priority;

3. That the total output of the domestic industry, quantity-wise, is at least 50 percent of the total domestic consumption requirements for the article;

4. The local cost of production (factory cost plus a reasonable amount for administrative and selling expenses) is higher than the landed cost of the imported competing article from the principal country of origin;

5. The domestic industry, if single line, realized not more than 20 percent net return on investment or if multiple line, and investment cannot be segregated by line, 25 percent of factory costs; and

6. The domestic industry utilizes imported raw materials costing not more than 50 percent of the total factory cost.

For the revenue aspect of the tariff:

1. Retaliation from foreign co-trading country should be avoided. This is possible if the tariff rate adjustments are not too high to invite such retaliation; and

2. Adjustments of the rates of duty should conform to the criteria established for the protective aspect of the tariff system to insure consistency.

To maintain a flexible tariff system which could be easily adjusted to meet changing economic conditions as planned in the program, (such as increased local production of import substitutes which will necessitate tariff protection and inducement of increased imports for capital goods which will require lower rates of duty) Congress should re-enact the vetoed Omnibus Tariff Bill embodying the rates of duties now contained in Executive Order Nos. 162, 171 and 225. If this Bill is re-enacted then the recommendation under the Foreign Trade Program for renewal of the President's power to enter into trade agreements under Section 402 of Republic Act No. 1937 shall also be embodied in the proposed bill.

Customs procedures shall be modernized as recommended in the study submitted by Gorres, Sycip, and Velayo as a government project under the NEC-AID Program so as to facilitate the release of goods from the customs zone. Prices of goods are greatly affected by the slow processes of releasing goods from the Customs. Red tapes and storage fees add up to the cost of goods and are passed on to the end users. Such processes have also been cited as the cause for increasing freight rates by Shipping Conference lines for goods destined for Manila.

CHAPTER XI

HUMAN RESOURCES AND SOCIAL DEVELOPMENT PROGRAM

The primary emphasis of the human resources and social development program for the next four years, and it is proposed for many more programs to follow, is the re-orientation of social and moral values as much as the development of the human mind and health and the improvement of trade skills.

The brief history of our economic development indicates that our failure to achieve and sustain a satisfactory degree of economic growth is not so much due to the absence of technical and administrative know-how as it is to the frailties of our moral and spiritual fiber. Literacy in the Philippines is one of the highest in Asia and the number of university graduates per 1,000 population compares favorably with many of the developed countries of the world. We have one of the highest numbers of manpower with basic training in trade skills in Asia. While it may be admitted that the quality of technical education of our young people leaves much to be desired, it can be said that for the present and for a country in an initial stage of economic development, we may have more than an adequate number of people to meet the technical and skilled manpower demands of new industries. The state of health and nutrition in the Philippines is above average in Asia.

Thus, as an instrument of production, our human resources is generally adequate. What is deficient is the moral basis for development. This deficiency is expressed in our unwillingness to apply ourselves diligently to our work; our failure to live frugally and to work together for the common good; our tendency to take advantage of other people and in the government service, to betray our public trust; our disregard of the rights of others and mockery of the law of the land; and not infrequently, especially for those in high office, to sell the country and its future for a mess of pottage. If our people would learn to honor the man who rises on his merits and not idolize one who enriches himself even through dubious means, then our young people will learn to work harder and the country will be more productive. If the more affluent would moderate their spending for luxuries and reduce to the minimum all forms of conspicuous consumption, more foreign exchange resources will be available for purposes of economic development. If those who are charged with the responsibility of administering the entry of foreign goods faithfully carry out their duties, domestic industries need not suffer unduly from unfair competition. If more thinking were devoted by our leaders to the urgent problems of economic development and if those who are charged to execute the economic policies and programs went about their task with efficiency and honesty, we could get out of the economic mess in which we unnecessarily find ourselves.

All these reflect a weakening of the national character, a lack of civic conscience and personal discipline and a distorted sense of moral and spiritual values. It is patently clear that while we have the resources and the capacity as a people to be progressive, we have to wage a moral crusade in a manner that will transcend our present educational effort and will involve every sector of our society if we must attain progress. We have, as a people, inherent moral values that make for greatness, but these were lost over the years. The recovery of these values is crucial to the successof the development program.

In the foregoing sense, therefore, the present program of human resources and social development differs from the conventional form of social development program which consists merely in the provision of basic education, professional and technical training, upgrading of health and nutritional standards, provision of social welfare, including low-cost housing facilities and slum clearance, improvement of the welfare of labor, and community development. The program is much more than this in the sense that it is addressed additionally, in fact more importantly, to changes in attitudes and moral and spiritual values without which all the technical training and the development of a healthy citizenry will be of no avail in promoting economic progress.

Education The objectives of the educational program stem from the Constitutional provision that "all schools shall aim to develop moral character, personal discipline, civic conscience and vocational efficiency and to teach the duties of citizenship". All of these elements of the objectives of education enshrined in the basic Charter would provide an answer to the main deficiencies of our people in terms of moral character, spiritual values and professional and skilled training as these bear on economic development.

The educational program consist of (a) the expansion and improvement of conventional education, and (b) social education for development and lasting progress.

The formal educational system would call for a thorough re-examination. Notwithstanding the changes that have been effected to adjust education to the needs of the people, it can still be said that the curriculum in the lower grade schools, while succeeding to equip our young people with the rudiments of reading, writing, and arithmetic, does not achieve effectively the objectives of education as outlined in the Constitution. It does not seem to succeed in instilling sound spiritual and moral values, nor in developing personal discipline and civic conscience; nor in attaining vocational efficiency and in teaching the duties of citizenship. This is especially significant when one considers the large number of drop-outs after the first four years of schooling.

Furthermore, in relation to economic development, the present system of education has not quite departed from its colonial character in the sense that it is oriented to the requirements of consumption rather than production. One of the unwritten objectives of colonial education is to provide the people of the colonies sufficient education in order to increase the appreciation of the value and therefore demand for products generally manufactured in the colonizing country but does not generally train the subject people in the skills and the technology that would lead to the production of the consumer goods. Thus, until recently, machine shop operation has not been taught in our trade schools. In the first four and even six years after which the majority of the school children drop out of schools, there is practically no training given to prepare the students to face effectively the practical daily needs of community life. This situation is demonstrated quite dramatically in the rural communities where school children have entered the schools for varying number of years and eventually dropped back to their homes and communities, merging with the lives of their folks and their fellow villagers without any evident contribution to the technology and productive efficiency of the community.

The outlays for education reflect the immensity of the task involved. Education as one of the most important single factor in advancing economic development and technical progress is programmed to bring about the desired social change. A total outlay, both capital and operating, of ₱3,554.7 million is provided for. Deficiencies in the educational system are to be speedily removed to sustain a rate of progress envisioned in the program.

The formal education program endeavors to resolve the recurring school crises. The problem is a matter of numbers as well as the system itself, the pattern and standard and the relationship of these factors to the national goals. The specific objectives over the four-year period are:

1. Raise the percentage of accommodation of children of school age to the maximum;
2. Increase the holding power of the schools;
3. Gradually eliminate emergency sessions plans;
4. Reduce the teacher-pupil, principal-teacher and supervisor-teacher ratios to a desirable proportion;
5. Expand the special education program;
6. Provide the schools with adequate ancilliary services;
7. Reduce to the minimum all forms of wastage in public education;
8. Raise the quality of the instruction;
9. Provide adequate textbooks to the school population;
10. Expand the secondary school program; and
11. Reduce illiteracy to the minimum and provide further education to out-of-school youth and adults.

In elementary education the plan is to accommodate all children seeking admission to the public schools. A total 25.8 thousand additional classes are to be provided over the four-year period with an outlay involving some ₱121.4 million. Some 52,561 additional classrooms shall be constructed at a cost of ₱227.6 million. These classrooms are calculated to eliminate the emergency session plans, reduce class sizes and eliminate the backlog of classrooms in ten years. A textbook production program is aimed at providing one textbook in each subject for every school pupil.

The medium of instruction of either English or Pilipino from Grade one to four shall be assessed for possible modification and adjustment. Schools are to be provided not only with ancilliary services but also with other facilities to upgrade and enhance the learning process.

The secondary program of education shall provide likewise a wide base or a major source of trainable manpower. The growth of secondary schools and expansion of the instructional staff shall contribute actively towards the economic development of the country. To raise the standards and quality of education, the student-instructor ratio shall be improved to approach the ideal of 1:15 in normal schools. Adult education shall be pursued with renewed vigor. With the active participation of civic organizations in augmenting national, provincial, city, municipal and barrio funds, illiteracy shall be reduced substantially at the end of the program period.

As the base for higher education originating from the elementary and secondary levels expand over the program period, higher education and other tools and devices with which manpower requirements shall be met shall be closely reconciled to national development needs in terms of employment opportunities. Increasingly, the program shall attract students to scientific and technological courses. Finally, the educational system if it is to serve a vital purpose, shall assume the important role of promoting militant nationalism and social cohesion emphasizing at the same time the broad-mindedness and tolerance necessary in the process of achieving the desired material progress.

Employment and Unemployment Corrollary to the aim for accelerated growth rate of output is the objective of full employment which is the consequence of economic development. In an underdeveloped country like the Philippines, there is a large volume of visible and disguised unemployment which is accentuated by the high population growth. Analysis of population and manpower potential is a key factor to the realization of economic development. The program takes cognizance of the need of utilizing manpower potential more fully and spreading employment to absorb gradually the unemployed and the new entrants to the labor force to avoid the danger that at some point of the development this labor surplus may lead to considerable social and political problems.

The planned accelerated growth of output will provide an estimated additional 334 thousand job opportunities at the beginning of the program period. This is about 42.5 percent of the estimated unemployment of 786 thousand but more than the number of estimated 306 thousand new entrants to the labor force. In effect, the number of employment will reach 11,310 thousand or 93.5 percent of the total labor force thereby reducing the percentage unemployed from

8.2 percent in 1965 to 6.5[a] percent in FY 1967. Over the program period the additional employment requirement will average 346 thousand yearly. This means that in FY 1970 the total employment will be 12,359 thousand and the unemployed at 705 thousand. At this time, the percentage unemployed labor force will be only 5.4 percent compared to the 6.5 percent at the beginning of the program period.

Taking the size and pattern of investment and the expected increase in income, it is estimated that additional employment likely to be created will be of the order of 6.3 million in agriculture in FY 1967 comprising 55.6 percent of the total employed labor force compared to the 6.1 million or 57.4 percent in 1965. This means that there will be a shift-over of additional workers from agriculture to non-agriculture activities, thereby reducing the under-employment in agriculture. The extent to which under-employment is minimized cannot, however, be stated in quantitative terms. The declining percentage of agricultural employment to the total employed force will continue over the program period so that at the end of FY 1970, the percentage of employment in agriculture will be 51.0 percent from a total employment requirement of 12,359 thousand.

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[a] This is a result of the labor force survey of the Bureau of the Census and Statistics as of May, 1965. The October, 1965 survey of the Bureau shows about 6.5 percent unemployed. The difference between results of those two surveys is attributed to the swelling of the labor force during May by the number of students seeking work. These students are withdrawn from the labor force during school year including month of October.

Employment opportunities will increase very considerably in the industry, trade and the services sectors. The increase in the utilization of idle capacity and the establishment of additional industries for local new materials particularly the import-substituting manufacturing plants will increase the employment requirement of 11,310 thousand in FY 1967, 13.8 percent or 1,562 thousand will work in industries. As the development progresses over the program period, the percentage employed in industry will be 15.4 percent numbering 1,908 thousand in FY 1970. The servises activities needed to support the growth in total output will require employment of 12.7 percent of the employed labor force in FY 1967. This means an employment of 1,440 thousand. In FY 1970, an estimated 306 thousand job opportunities will have been created bringing the employment level to 1,746 thousand or 14.1 percent of the total employed labor force. The expected increase in the trade activities will command 10.9 percent of the employment opportunities in FY 1967, numbering about 1,236 thousand. The number of jobs to be created during the four-year program period is expected at 224 thousand in this sector so that at the end of FY 1970, a total of 1,460 thousand employment will be realized. This will be 11.8 percent of the total employed labor force. All other sectors (construction and transportation and communication) with relatively small number of employment will however, likewise require increases in their employment. The construction activities will share on the average 3.2 percent while that of the transportation and communication sector 4.1 percent.

Table XI.A - EMPLOYMENT BY MAJOR INDUSTRIAL SECTOR
FY 1965; FY 1967 TO FY 1970

(In thousands)

Sector	1965 a/	1967	1968	1969	1970
Total employment	10,543	11,310	11,641	11,994	12,359
Agriculture	6,052	6,286	6,305	6,317	6,305
Mining & manufacturing	1,249	1,562	1,671	1,783	1,908
Construction	299	345	364	395	419
Trade	1,120	1,236	1,303	1,377	1,460
Trans. & communication	389	441	465	491	521
Services	1,426	1,440	1,533	1,631	1,746
Labor force	11,491	12,096	12,410	12,733	13,064
Unemployment	947	786	769	739	705

Table XI.B - PERCENTAGE DISTRIBUTION OF EMPLOYMENT
FY 1965; FY 1967 TO FY 1970

Sector	1965 a/	1967	1968	1969	1970
Total employment	100.0	100.0	100.0	100.0	100.0
Agriculture	57.4	55.6	54.2	52.7	51.0
Mining & manufacturing	11.8	13.8	14.4	14.9	15.4
Construction	2.8	3.1	3.1	3.3	3.4
Trade	10.6	10.9	11.2	11.5	11.8
Trans. & communication	3.7	3.9	4.0	4.1	4.2
Services	13.5	12.7	13.1	13.6	14.1
Total labor force	100.0	100.0	100.0	100.0	100.0
Employed	91.8	93.5	93.8	94.2	94.6
Unemployed	8.2	6.5	6.2	5.8	5.4

a/ Preliminary PSSH Survey Report, May, 1965.

Labor Welfare and Manpower Development The program on labor welfare will continue to protect the rights of the workingman and to awaken in the worker a willingness and enthusiasm to work, with the government providing conditions propitious to the development of the individual and his dedication to the economic progress and building of the community.

As a first step towards the attainment of the above objective, the Program seeks to reorganize the Department of Labor to streamline the structure of the administrative machinery for more effective and economical operations.

Adequate protection will be given to wage earners and salaried employees through the revitalization of the Wage Board System as the instrumentality for effecting adjustments in wage standards towards a more equitable distribution of the proceeds of production. Likewise, protection will be provided to workers against the physical risks and hazards of employment through a greater promotion of safety in industry and vigorous implementation of the workmen's Compensation Act.

Industrial peace will be promoted through the promotion and encouragement of free, strong and democratic trade unionism and of free collective bargaining practices, utilization of preventive mediation as a means of avoiding labor disputes and through the speedy settlement of disputes through voluntary arbitration.

To undertake effective programming of the manpower resources of the country to support the socio-economic development program, the program recommends the establishment of a Manpower Development Council which shall perform the overall manpower programming consistent with the overall socio-economic development program.

The program also proposes the creation of a National Employment Services Office which would be an expanded version of the present Office of Manpower Services. This Office will concern itself with the organization and management of the national and local labor markets. Twelve (12) employment exchanges will be set up in strategically located labor-market areas.

The promotion and implementation of the apprenticeship training program will be further intensified to enable it to meet a greater portion of the requirements.

The program also aims to increase the productivity of industrial workers through the establishment of practical training centers for young workers, particularly those out of the school system. Practical training for farm workers will be provided through the cooperation of the farm owners, farm workers and the government.

A total outlay of ₱40.9 million for the next four years excluding the ₱6.5 million estimated cost of the proposed Department of Labor building is required for the program.

Health The program on health lays emphasis on the reinforcement of the basic health services under existing public health laws, through the direction of the already properly organized set-up. Manpower productivity hinges, among others, on the state of health of the citizenry. In this consideration, the program seeks to provide more efficient basic public health and medical care services, effective disease intelligence network, improved diagnostic laboratory facilities including production of biologics and sera, widespread health education, nursing and dental care services. The health program may be broadly divided into six groups:

1. Improvement of health and medical care, disease intelligence and control;
2. Nutritional enrichment;
3. Training in industrial hygiene;
4. Improvement of environmental sanitation;
5. Provision of improved laboratory facilities; and
6. Improvement of quarantine service.

While continuing programs lowered the incidence of disease, effected decrease in infant mortality, general decline in mortality rate and increase in expectation of life, the program stresses on the preventive curative public health services and the eradication and control of communicable diseases.

The total outlay for the health program is ₱542.9 million, of which ₱98.1 million is earmarked for the capital requirements for the expansion of hospitals and improvement of medical laboratories. The rest will be spent for the maintenance of already existing health facilities and support for additional ones, dissemination of public information and training on industrial hygiene and environmental sanitation.

Housing and Resettlement. The housing program as part of planned development is designed to keep up with the pace of urbanization following the growth of industries within the limited means of the economy. As an indication of the magnitude of the task, a 1965 study made by a local housing expert estimated the housing needs of the Philippines up to 1980 at 9,428,321 units or roughly 471,426 units per year. This represents a yearly need of about 11 new dwelling units for every thousand population, which is close to the average need for Asian Countries[a]. The undesirable social consequences in the growth of slums and other symptoms of varying forms of social disorganization are positive deterrents to industrialization and progress. Since the resources with which to deal with this problem are relatively inadequate, the program aims to concentrate mainly on housing to raise the level of productivity and the efficiency of the workers.

The main directions of housing development would be a housing policy on a scale within the context of limited resources in the program, coordinated closely with the private sector housing activity, and the emphasis in the public sector on the housing needs for the low-income groups in the community. The program, therefore, proposes to provide through the People's Homesite and Housing Corporation 14,150 thousand low-cost dwelling units over the program period at an estimated cost of ₱119.7 million.

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[a] 9 to 10 per thousand for Asia.

The program provides aside from slum clearance and improvement in housing conditions, the acquisition of land and its development. Town and urban planning is encouraged not only to ensure the optimum use of land but also to set the minimum standard for civic amenities and in the implementation of a program designed to strengthen local administration in undertaking development responsibilities.

Social Welfare The program encourages likewise the expansion and development of welfare services to help people whether alone, in groups, or in communities to attain social and personal satisfaction and independence so that they can maximize their contribution to national development. Stress is laid on rehabilitative and preventive programs with particular concern for child and youth welfare.

The program, among other things, will promote family welfare through the provision of a stable form of financial and material aid related services to needy persons and families so as to enable them to meet the essentials of daily living when their own resources become insufficient; promote child and youth welfare by helping parents provide adequate care for their children, and by improving and strengthening those welfare services which are particularly concerned with youngsters deprived of normal family associations and care; help promote economic growth by providing more opportunities for the vocational rehabilitation of the disabled; and help bring about social growth by creating an awareness of the necessity for change and by helping people to adjust to new ways of living in an urbanized and industrialized society.

While the government will provide the necessary assistance to help meet the economic and social vissicitudes common to man the voluntary organizations will continue to pioneer in the creation of new services and in experimenting with new methods and programs. The establishment in urban centers of community welfare centers, youth and day care centers fall within this purview.

Community Development. The best agents of economic and social growth are the people themselves. It is for this reason that the government proposes to continue its community development program particularly those services which will involve the people directly in the development process such as the establishment of self-government at the barrio level, the establishment of self-help and aided projects which will generate increased income and higher levels of living and all other activities at the grass roots level which shall create the conditions necessary for economic progress and social growth within the framework of national development.

Although some 9,000 barrios have already been serviced by PACD, some 20,000 barrios more need to be reached. Under the program it is proposed to reach an additional 2,000 barrios every

Table XI.1 PROJECTED FINANCIAL REQUIREMENTS FOR SOCIAL DEVELOPMENT
FY 1967 TO FY 1970

(In million pesos)

Items	FY 1966-67			FY 1967-68			FY 1968-69		
	Operating expend-itures	Capital outlays	Total	Operating expend-itures	Capital outlays	Total	Operating expend-itures	Capital outlays	Total
Education[a]	677.2	63.3	740.5	791.1	60.5	851.6	889.4	57.4	946.8
Health	108.4	18.8	127.2	111.7	23.1	134.8	113.1	26.6	139.7
Labor	6.3	-	6.3	8.4	3.3	11.7	11.4	3.2	14.6
Social welfare	7.9	6.1	14.0	8.7	0.8	9.5	9.6	0.6	10.2
Community development	13.7	-	13.7	15.1	-	15.1	17.5	-	17.5
Housing (low cost)	-	8.3	8.3	-	25.1	25.1	-	38.2	38.2
Slum clearance and resettlement	0.8	4.0	4.8	3.6	4.6	8.2	3.6	4.6	8.2
TOTAL	814.3	100.5	914.8	938.6	117.4	1,056.0	1,04[illegible].6	130.6	1,[illegible]75.2

[a] Include State Colleges and Universities

Items	FY 1969-70			TOTAL		
	Operating expend-itures	Capital outlays	Total	Operating expend-itures	Capital outlays	Total
Education[a]	969.4	46.4	1,015.8	3,327.1	227.6	3,554.7
Health	111.7	29.6	141.3	444.9	98.1	543.0
Labor	14.8	-	14.8	40.9	6.5	47.4
Social welfare	10.6	0.5	11.1	36.8	8.0	44.8
Community development	22.1	-	22.1	68.4	-	68.4
Housing (low cost)	-	48.1	48.1	-	119.7	119.7
Slum clearance and resettlement	3.7	6.6	10.3	11.7	19.8	31.5
TOTAL	1,132.3	131.2	1,263.5	3,929.8	479.7	4,409.5

year so that the barrio people may be helped to learn and think for themselves. The training of local leaders for effective leadership, the strengthening of local barrio councils for self-government, the establishment of aided and self-help project as instrument for the development of a self-reliant citizenry shall be continued.

EDUCATION

The objectives of the educational program are derived from Article IV, Section 5, of the Philippine Constitution which provides that "all schools shall aim to develop moral character, personal discipline, civic conscience and vocational efficiency, and to teach the duties of citizenship." Mindful, however, that the Philippines, is a developing country, the goals of the education program have been geared to the general strategy of accelerated economic development. The education program aims to support the integrated socio-economic blueprint by providing opportunities for training manpower for production and service while at the same time developing a strong base of citizenry that is cognizant and aware of its role in a changing Philippine economy.

Current Situation

As of the school year 1964-1965 the Department of Education by and large has been able to enroll almost all children of school age in the lower primary grades, provide adequate and functional school activities in all levels of education, expand a skill-training program for more diversified technical manpower, push further the frontiers of Philippine history through archeological diggings and researches, develop the prestigious role of the museum and library, and develop, enrich, propagate and standardize the national language as coordinating links to widen the cultural horizons of our people, and thus serve as bridges to other cultures of the world, and awaken in the people an awareness of nationalism, a basic factor in any country's program of socio-economic growth.

In both general and vocational education a steady rate of expansion has been maintained. Efforts to provide facilities for the education of children in the age-group 7-12 years have resulted in increased enrolment every year and in greater demand for teachers and facilities. The aim is to keep every child in school throughout the period of compulsory education and see to it that he attains the minimum standard of education prescribed for elementary grade. A steady annual increase in the enrolment at the secondary level of the age group 13-16 years is also noted. Of the total school population in schoolyear 1965, about 0.45 percent were in kindergarten, 79.09 percent in elementary schools, 14.40 percent in the secondary level, 5.94 percent in college and 0.12 percent in the graduate level. The national government shoulders the main burden of financing education and will most probably continue to do so. The programs of improvement of education at the secondary and university levels are being implemented in respect to science education, provision of qualified teachers and equipment and library facilities. Facilities for research are being developed and the number of scholarships and fellowships have been increased.

In terms of meeting the needs of the school system the progress is far from satisfactory. The number of textbooks published so far is still insufficient to provide each school child in the elementary grades with at least one set of books. Many school buildings are in need of repair and new ones need to be built. In some big private universities the lack of accommodation is apparent. Class sizes although within the standard prescribed are still large.

The Philippines has a large number of college students in proportion to the total population; about 14 students for every 1,000 population in 1965. The end results are hardly satisfactory when viewed against the national development manpower requirements as two thirds of the college population are usually enrolled in education and commerce and business administration. and the one third in all the other courses. Only about 6 percent enroll in engineering and technology. At present there are 25 private and 5 public universities and about 404 colleges offering courses at the higher educational level.

Unfavorable teacher-students and teachers-supervisor ratio, shortened class sessions and low standard in secondary and collegiate schools due to lack of stable financial support continue to plague

Philippine education. Shortages of teachers for teaching in technical institutions and for teaching sciences and mathematics in secondary schools and colleges have raised certain problems in regard to the quality of education.

In the field of technical education, there has been no reliable assessment of requirements of technically trained persons with which enrolments and curricula both for secondary and college courses could more or less be dovetailed, hence more attention will be given to measures not only for the maintenance and improvement of standards of education at all levels and the administrative and financial implications, but also for the effective integration of formal education into manpower and employment requirements.

Program

The education program is divided into two parts, namely, (a) the expansion and improvement of conventional or formal education, and (b) social education for economic development and lasting progress.

I. Formal Education

A. Elementary Education

1. Accommodation of school-age children One of the most pressing problems of the public education is to provide adequate accommodation to the increasing number of children reaching school age every year and those who although of school age, for some reason or another were

not able to enroll the previous year. To solve this recurring school problem and in order to accommodate all children seeking admission to public schools, it is necessary to open 7,916 additional classes during the first year of the program, 7,269 classes in the second year, 6,569 classes in the third year, and 4,007 classes in the fourth year or a total of 25,761 additional classes during the four-year program period. The cost involved for maintenance and operations is estimated at ₱121.4 million, or an average of ₱30.4 million per year. The foregoing already takes into consideration the reduction of class sizes to not more than 40 pupils and the conversion of the double single-session class plan to two session class plans and the improvement of the teacher/class ratio in the intermediate grades from the present 1:1 to 5 teachers for every 3 classes by 1970.

2. School Building Project Considering the number of extension classes which have to be opened every year and the need to resolve the backlog of 67,000 classrooms which has accumulated through the years, the program contemplates the expenditures of ₱227.6 million or an average of ₱57 million yearly for the construction of 14,616 additional classrooms during the first year of

the program, 13,969 classrooms in the second year, 13,269 classrooms in the third year and 10,707 classrooms in the fourth year or a total of 52,561 additional classrooms during the four-year program period. The foregoing estimates include the construction of 6,700 classrooms yearly to eliminate the backlog in ten years time.

3. Textbook Production Project There has been an acute shortage of textbooks in the Philippines public schools since World War II. To solve this pressing problem, the Textbook Production Project was launched under the joint financing program of the National Economic Council, the Agency for International Development (AID), and the Department of Education. This project which has been in operation during the last five years (1960-1965) produced about 20 million copies of textbooks for all grade levels, from Grade I to the fourth year high school. However, this supply has been able to meet only about 60 percent of the textbook needs of all the public schools. Considering the yearly depreciation, gradual loss, and destruction of these books, there is an imperative need of continuing and intensifying the production and procurement of the needed textbooks to reach a goal of one textbook in each subject for every pupil enrolled in

all grades and years. To reach this goal, there is need for printing approximately 42.9 million copies in six years, at a cost of ₱30.2 million yearly.

4. Language Experiment This project will determine the effectiveness of either English or Pilipino as the medium of instruction from Grade I to IV in non-Tagalog provinces. It is expected that by the end of 1970, conclusions can be drawn as to which of the two languages is more effective as a medium of instruction in the major subjects in the grades; namely, Language Arts, Arithmetic, Social Studies, and Health and Science.

5. Increase in Supervisory, Clerical and Service Personnel Position It will be necessary to increase the number of supervisory, clerical and service personnel positions to match the increase in the number of classroom teachers due to the opening of more extension classes and to render administration and supervision of the schools more effective. This will cost ₱25.8 million for the next four-years.

6. School Health Education Project The expanding program of the Medical and Dental Services which now includes school health education, necessitates the corresponding expansion in personnel to render adequate services to all

school children and teachers. At present, the number of physicians, dentists, dental aides and clerks in the Medical and Dental Services of the Bureau of Public Schools cannot cope up with the work of providing adequate service to all public school children in the country.

The proposed expansion will require about ₱159,000 annually for the next four years and this will be taken partly from the funds appropriated yearly for the Bureau of Public Schools and from the UNICEF, CARE, and other external sources.

7. Philippine-CARE School Feeding Project About 80 to 85 percent of all children in the public schools are malnourished. Because of malnourishment, many of them become victims of various kinds of diseases which affect considerably their capacity to learn.

The purpose of this project is to raise the nutritional standard among school children. In so doing, the incidence of disease is eliminated or diminished, thus enhancing the learning process.

The Philippines-CARE School Feeding Project of the Bureau of Public Schools is programmed as follows:

	1966-1967	1967-1968	1968-1969	1969-1970
Total poundage CARE commodities	15,000,000	24,000,000	24,500,000	26,000,000
Total appropriations needed	1,365,200	1,764,700	1,782,450	1,912,000
Total number of enrolment	5,500,000	6,000,000	6,500,000	7,000,000
Total pilot schools				
Free snack	1,000	2,000	3,000	4,000
Free lunch	40	100	200	300
Number of pilot bakeries (regional)	5	2	2	3
Number of teachers needed (H.E.)	40	100	200	300

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8. Science and Mathematics Education Project In view of the rapid advance of science and technology and the necessary corresponding changes in science and mathematics education, the supervisory, administrative, and teaching staff upon whose shoulders rest the direct responsibility of improving science and mathematics education in the elementary schools need intensive upgrading. To improve science and mathematics instructions, it will be necessary to upgrade science and mathematics teaching and materials.

Under the program 30 trainees for each of the first two years will receive training in science and mathematics in the U.P.; 90 trainees will be trained on the third year, and 90 supervisors and administrators for the fourth year.

9. Special Education Project A survey conducted in 1956 on the number of handicapped individuals in the Philippines estimated that no less than one million fall under the category of handicapped individuals. Only a fraction of 1 percent of these individuals are enrolled in schools provided for them.

Education is the birth right of every person in a democracy. The deaf, the blind, and other handicapped persons are entitled to the best education available for them. Likewise, the exceptional children should be given the maximum attention to enable them to realize their optimum potentials. This special education project is for the purpose of carrying out this mandate. The activities to be undertaken together with the estimated cost to carry out said activities are shown in the following table:

FINANCIAL REQUIREMENTS OF THE FOUR-YEAR
SPECIAL EDUCATION PROJECT

Activities	1966-67	1967-68	1968-69	1969-70
In-service education	₱ 93,500	₱ 93,500	₱ 80,000	₱ 80,000
Curriculum development	16,000	8,000	9,000	20,000
Scholarships	46,000	83,000	83,000	63,000
Additional personnel	478,362	469,782	469,782	429,114
Total	₱633,862	₱654,282	₱641,782	₱592,114

B. Secondary Education

Increase in Secondary Enrolment The secondary schools are the major sources of trained or trainable manpower to provide the immediate manpower needs of industry, trade, agriculture, as well as of citizens who can contribute more actively and substantially to the economic development of the country. Because of this, every effort should be done to encourage the growth of secondary schools.

Recent trends indicate a rapid expansion in enrolment in secondary schools. If this trend continues, there will be a considerable increase in secondary school enrolment in the next four years. The projected enrolment in the public secondary schools for a period of four years is shown in the following Table XI.2.

Table XI.2 - ENROLMENT PROJECTION
(1967-1970)

	1966-67	1967-68	1968-69	1969-70
First year	102,400	117,530	135,600	150,000
Second year	82,156	83,968	96,375	111,192
Third year	67,253	69,832	71,373	81,918
Fourth year	46,889	59,175	61,447	62,802
Total	298,700	330,500	364,800	405,910

During the increase in secondary school enrolment, the expansion of the instructional staff has to be provided for as follows:

FY 1966-67 - 11,955
1967-68 - 13,226
1968-69 - 14,597
1969-70 - 16,236

Table XI.3 shows the expected expenditures as a result of the increase in enrolment and expansion of the instructional staff and the creation of additional supervisory position in the Secondary Education Division.

Table XI.3 - EXPENDITURES PROJECTION: FY 1967-1970

(In thousand pesos)

Expenses	1966-67	1967-68	1968-69	1969-70
Total expenditures at ₱145 per student enrolled	43,355	47,850	52,925	58,870
Tuition fee at ₱70 p/a	20,930	23,100	25,550	28,870
Expected government aid	22,425	24,750	27,375	30,450

The funds needed for the projected expansion of secondary education will be taken from tuition fees of students, from transfer from the provincial, city or municipal general funds, and from the aid from the National Government in accordance with Republic Act No. 3478.

C. Vocational Education

The major programs of vocational education include agricultural education, trade and technical education, fishery education, home industries, teacher education, apprenticeship, agricultural extension and cooperative trade-training in industrial and productive establishments. The curricular programs and other forms of training open to both boys and girls, to youth as well as adults, are designed to prepare them for successful entrance into gainful operations and to provide additional extension or supplementary training for employed workers.

During the year 1964-1965 there were 203 vocational schools spread all over the country: trade-technical - 86; agricultural - 81; fishery - 35; and schools for craftsmen - 1. There are schools, however, although authorized by law to be established or converted, which have not started to operate for lack of funds. Lately, there were a number of schools which by legislation became chartered colleges, and are no longer under the administrative supervision of the Bureau of Vocational Education. The rise in the total number of vocational schools since 1940-1941 when there were then only 44, has been rather phenomenal.

Likewise, the enrolment in vocational and technical schools has been rising continuously from 10,360 in 1945 to 89,750 in

1964-1965. The 1964-1965 enrolment in the various schools is distributed as follows:

Trade-technical schools	-	55,232
Agricultural schools	-	28,187
Fishery schools	-	6,024
Home industries	-	307[a]
Total	-	89,750

Goals

Consistent with the fundamental aims of education as embodied in the Constitution and those formulated by the Board of National Education and the various enabling acts concerned with the development of vocational efficiency and of bringing about social and economic well-being of the people, the various programs of vocational education shall be focused on the attainment of the following goals during the four-year period:

1. Intensify, to reach as many youths as possible, the pre-employment training in the various fields of vocational education, particularly trade-technical, agricultural, home industries, and fishery education.

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[a] This number represent adults who took the opportunity course in the various levels and types of home industries.

2. Provide greater opportunities for in-service as well as extension or supplemental education of various categories of workers with the view of upgrading their productive skills and their technical knowledge so that they may be able to contribute effectively to the overall development effort and at the same time enhance their personal advancement.
3. Help bolster through proper training and education, the country's productivity program and set up measures to help raise the low levels of production and income of the people.

Problems

Among the pressing problems of vocational education may be mentioned the following:

1. The instructional facilities obtaining in many vocational and technical schools are below standard and hardly meet those required in industries due to inadequate financing. Because of this inadequacy, the quality of instruction in these schools is very much adversely affected.
2. Fully competent teachers and instructors for the various courses are lacking. The Civil Service requirements do not allow those without the appropriate eligibility to teach with permanent status in vocational and technical schools. This requirement operates against efforts to

attract highly competent men from industry to teach in the vocational schools.

3. The indiscriminate establishment or conversion of many vocational schools by legislation without regard to the actual needs of the locality, operates against the efforts to work out and carry on an effective program for manpower training. In not a few cases, the conversion is done with the motive of evading the responsibility for the financial support of the school by the local government.

4. There is lack of competent administrative and supervisory personnel. The rapid expansion of the vocational education program, and the phenomenal increase in the growth of the number of schools have created the problem of lack of competent personnel to fill the positions especially in the middle-level administration and supervision. For this reason, the operation of many schools has been hampered.

Program Targets

Trade and Industrial Education

A. Existing Projects

The following special projects presently undertaken as major phase of the trade and industrial education program are envisioned to be expanded in keeping with the national program of socio-economic development:

1. Textile Training Project This project was started in 1959 in the Marikina School of Arts and Trade under a bilateral agreement between the Philippine Government and SEATO. It aims to provide textile workers, through pre-employment and extension training, with the skills and technical knowledge necessary for employment in the textile industry.

A total of $132,813.23 from the SEATO AID funds and ₱143,266.12 from the Philippine Government have been invested in this project. There is need to provide continuing funds for its operation as per agreement, as otherwise investment in the project will be wasted. The outlay for the project amounts to about ₱150,000 during the first year gradually increasing to ₱200,000 during the fourth year. The number of workers expected to be trained will increase by 150 every year.

2. Special Project in Apprenticeship The participation of the Department of Education in the national apprenticeship program is to provide the necessary related or supplemental instruction to duly registered apprentices. In view of the expansion of industrial activities in Manila and its suburbs and in the other cities, adequate financial support shall be extended to the Department of Education primarily to enable it to organize apprenticeship programs in Iloilo in 1967, Iligan in 1968, Bacolod in 1969 and Davao in 1970.

3. ia The required financing outlay for this project is approximately ₱160,000 annually for the next four years.

3. Industrial Electricity Training Centers The project is designed to meet the lack of trained electrical network men, maintenance men for electric power stations, transmission and distribution maintenance linemen, electrical inspectors, etc. It was started with technical and financial assistance from the French Government in the Marikina School of Arts and Trade. The program envisions the establishment of at least two other centers in the next four years, one in Lanao, and the other in Lingayen, Pangasinan. Together, the three centers are expected to graduate from 900 to 1,500 trainees over a period of four years.

Financial outlay required will be ₱200,000 annually for the next four years.

4. Evening Opportunity Vocational Classes Program The project is conceived to give opportunity to all qualified persons who desire to pursue a specialized trade or course in the evening classes. It envisions the opening of ten selected vocational schools for evening opportunity vocational classes with sufficient training facilities in 1967 and other five existing schools will be opened every year thereafter, making a total of 25 regional centers throughout the country in 1970.

Under the program, evening classes will be offered for auto-mechanics, chemical products, diesel mechanics, drafting, industrial ceramics, industrial electricity, machine shop, radio mechanics, stationary and marine engineering and welding for males, and dressmaking, cosmetology, food trades, and machine embroidery for females.

The estimated financial outlay required is ₱600,000 annually for the next four years.

B. Proposed New Projects

The following special projects are proposed to be undertaken with the view of strengthening further the program of trade and industrial education and making it more responsive to the needs of economic development:

1. Proposed Tool and Machine Fabrication Program The aid program envisioned under this project is for the development of tool and machine building as a specialized activity in a limited number of trade-technical schools now existing in strategically located parts of the country.

   The need for this activity is greatly felt in view of the increasing demand for hand tools and machines needed by the vocational schools and the need for trained workers for existing industries as well as those that will be created. It envisions the manufacture of hand tools and machines which will be used in the vocational schools as well as some which could be fabricated for the other public schools.

Under this program, beginning with fiscal year 1967, it is expected that at least four hundred workers will be trained, and at the end of the four-year period a total of 3,800 trained workers in tool and machine building will have been realized.

The project will be financed under two categories: the peso counterpart which will be put up by the National Government and the dollar aid funds which will be requested from external sources.

2. Proposed Industrial Ceramics Training and Research Center This project as envisioned seeks to establish ceramics processing and training centers in Luzon, Visayas and Mindanao, preferably in localities where great deposits of ceramics raw materials abound.

In order to encourage the development of ceramics industries, there is need of extending technical help which can be made available through the establishment of ceramics processing and training centers which will enable them to secure properly processed clay and other ceramic materials and at the same time provide them with workers and technicians.

The financial requirements needed for this project may be taken partly from reparations. The cost for personal services and operating expenses will come from the National

Government.

3. Proposed Pilot Courses in Apparel Trades in Marikina School of Arts and Trades, Marikina, Rizal. This project envisions the opening in the Marikina School of Arts and Trades of pilot courses in Apparel Trades (Industrial Sewing Machine Operation and Apparel Manufacture) in the technical education level.

According to the 1959-1960 Directory of Key Establishments in the Philippines, there were more than 500 industrial factories engaged in the manufacture of ladies' wear, men and children's apparel. Almost 95 percent of the workers employed in these factories are women. To meet the need for skilled women in the operation of industrial machines used in these factories, it is deemed necessary to establish a pilot center to provide a better program of training women for these specific growing trades of garment manufacture. The center can be ideally located at the Marikina School of Arts and Trades.

An initial outlay of ₱100,000 during the first year of the program and an average of ₱30,000 for the succeeding years will be required.

NAMES OF PROJECT	FY 1967	FY 1968	FY 1969	FY 1970
Existing:				
Textile workers Training Program (Marikina School of Arts & Trades)	₱150,000	₱160,000	₱175,000	₱200,000
Apprenticeship Program	160,000	157,000	165,000	172,000
Industrial Electricity Training Centers	200,000	200,000	350,000	350,000
Evening Opportunity Vocational Classes	400,000	600,000	800,000	1,000,000
Proposed:				
Tool and Machine Fabrication Program	$ 150,000 [a] ₱ 350,000	$ 175,000 [a] 700,000	$ 200,000 [a] 1,050,000	$ 225,000 [a] 1,200,000
Industrial Ceramics Processing and Training Centers	80,000	59,000	59,000	59,000
Pilot Courses in Apparel Trades	100,000	30,000	40,000	30,000
Total (not including dollar counterpart funds)	₱1,440,000	1,906,000	2,639,000	3,011,000

[a] Proposed dollar aid funds.

Agriculture and Home-Making

The special projects for agriculture and homemaking in the vocational schools include the following:

1. Irrigation Installation of irrigation pumps in agricultural and rural high schools of the Bureau of Vocational Education in order to bolster the crop and animal production in these schools and improve farming instructions. Three schools

per year for the next four years are included in the program at a cost of ₱54,724.00 per year.

2. Farm Mechanization The work carabaos and the students of the schools are not enough to place all arable areas under cultivation.

In order for the schools to intensify production of rice and corn, it is necessary that the carabao be reinforced with the use of two-land-tractors. The acquisition of these small tractors particularly the "Iseki" walking tractors will certainly bring about better methods and techniques of crop production. It is planned to acquire these from reparations and to distribute them to twenty-five selected agricultural schools.

This project is expected to cost ₱250,000 as shown in the following table:

Basis of Computation	FY 1967	FY 1968	FY 1969	FY 1970
For 10 tractors at ₱10,000 for ten schools	₱100,000			
For 5 tractors at ₱10,000 for five schools		₱50,000		
For 5 tractors at ₱10,000 for five schools			₱50,000	
For 5 tractors at ₱10,000 for five schools				₱50,000

3. Cabbage and Onions Seed Production Project In order to minimize the importation of cabbage and onion seeds, it is proposed to produce them at the Mountain Agricultural College, La Trinidad, Mt. Province, on a commercial scale.

The project is likewise envisioned to improve the quality of seeds locally produced. Total cost of the project for four years is ₱152,000.

4. Dairying The establishment of school dairy projects in favorable places will serve as pilot enterprises in the respective regions where the schools concerned are located.

In this program, 2 schools will put up similar projects each year or a total of 8 dairy projects for the next four years to cost ₱55,000 per project. The projects could be self-liquidating under good management.

5. Manufacture of Farm Tools, Machineries, and Equipment This project involves two general activities: (a) the manufacture of farm tools, machinery, and equipment, and (b) the development of technical skills and abilities with the view of improving instruction and production in agricultural schools. This project aims to develop, improve, renovate and construct farm hand tools, implements, labor-saving devices appliances and farm machines which are needed by the different agricultural schools. After this project is established it can serve as an in-service

training center for farm machinery teachers and instructors, equipment operators and mechanics, and shop teachers in all agricultural schools.

The budgetary proposal for this project calls for a total allotment of ₱475,872.00 for a period of four years starting with fiscal year 1967.

The summary of projects and funds needed for FY 1967-1970 in Agriculture and Homemaking Education is shown in the following table:

Table XI.4 AGRICULTURE AND HOMEMAKING EDUCATION
SUMMARY OF PROJECTS AND FUNDS NEEDED
(FY 1967 - 1970)

Name of Project	FY 1967	FY 1968	FY 1969	FY 1970
Irrigation pumps	₱ 54,724.00	₱ 54,724.00	₱54,724.00	₱ 54,724.00
Farm mechanization	100,000.00	50,000.00	50,000.00	50,000.00
Cabbage & Onion seed production	50,000.00	34,000.00	34,000.00	34,000.00
Dairying	110,000.00	120,000.00	130,000.00	140,000.00
Manufacture of farm tools and equipment	248,386.00	144,272.00	160,000.00	124,000.00
Total	₱563,110.00	₱402,996.00	₱428,724.00	₱402,324.00

Fishery Education

The program of fishery education shall be further developed and expanded.

1. Fish Capture Research Program Fish capture is considered a major mainstay in the program of fishery education. Various research studies are being conducted in different

fishery schools. For development and expansion, the following are considered necessary:

(a) Continuing funds should be provided for the project;

(b) Additional fishing boats, gears, tools and laboratory equipment with an estimated value of ₱500,000 should be acquired; and

(c) Scholarship grants in the fields of fish capture, operation and maintenance for instructors should be provided.

2. Fish Culture Research Program A major phase of fishery education concerns fish culture which develops experience, skills and technical knowledge pertinent for the fishpond industry. Related fish culture activities are presently undertaken in the different fishery schools. For the development and expansion of this program, the following shall be provided for:

(a) Additional tools and laboratory equipment essential to fishpond care and management with an estimated value of ₱100,000;

(b) Continuing funds for the project; and

(c) Scholarship grants for instructors in the field of fish culture, care and management.

3. Fish Processing Technology Research Program Fish processing technology as an adjunct of fish capture and fish culture

develops in the students the experience, skill and technical knowledge pertinent for the fish processing technology industry. At present, research studies are being undertaken in the different fishery schools in this field.

To carry on and expand this program, continuing funds shall be provided for the projects, additional supplies and materials and essential equipment with an estimated value of ₱100,000 shall be acquired and scholarship grants in the field of fish processing technology operation and maintenance for instructors shall be provided.

The following table indicates the funding requirements for the special projects on Fishery Education for the next four years:

PROJECTS AND FUNDS NEEDED IN FY 1967-1970

Name of Project	FY 1967	FY 1968	FY 1969	FY 1970
Fish capture research	₱500,000	₱550,000	₱ 600,000	₱ 600,000
Fish culture research	100,000	150,000	200,000	200,000
Fish processing technology	100,000	150,000	200,000	200,000
Total	₱700,000	₱850,000	₱1,000,000	₱1,000,000

Recommendations

1. The establishment of vocational schools should be based on the need for skilled workers and technicians within the service area of the school, the availability of raw

materials that can be processed through skilled or technical labor, and the concentration of population that would insure the steady supply of students for training.

2. The specific curricula and courses for each school should be adopted to meet the specific needs of industry of a particular area.
3. In order to remedy the inadequate financing of vocational schools, particularly trade and technical schools, it is proposed that:
   (a) Local governments contribute to at least 25 percent of the cost of the financial operation and maintenance of the school; and
   (b) Industrial firms in the community or service area share in the financial support of the school.

The advantages that may be derived from this system of financing are as follows:

(a) The leaders as well as the people of the community will develop more interest and enthusiasm in seeing that the school becomes a successful investment of their money;

(b) Industries can get the skilled manpower needed in production; and

(c) The national government can be relieved of the heavy financial support it now provides for the operation and maintenance of the vocational school.

4. A relaxation of the civil service requirements for eligibilities for teachers in the vocational schools should be considered in order to permit the recruitment of non-civil service eligibles who are highly skilled in the vocations.

5. A leadership training program for administrative and supervisory personnel should be developed in order to meet the need arising out of the rapid expansion of the vocational education program.

6. The program relating to school-industry and school-community relationships in order to effect a much closer bond between the vocational schools and industry as well as the industrial community should be stepped up.

7. Science and mathematics instruction should be upgraded and programs calculated to stimulate science mindedness among students and personnel in the field should be developed.

D. Adult Education

In 1948, out of a total population of 13,300,961 ten years old and over, 5,024,656 persons were illiterate. In 1960 there were 18,145,872 persons ten years old and over out of which 5,072,124 were illiterate. Between the two census years, the number of illiterates increased by 47,468. The present program of adult education seems inadequate to stop the increasing number of illiterates.

The output in the literacy campaign, both by organized classes and each-one teach-one schemes for the school year 1964-1965 was 24,645. At this rate illiteracy in the Philippines will continue to be a problem for a long time.

Only around one fourth of the youth with ages 14 to 17 are in school. The rest, around 1-1/2 million, are out of school.

In view of the circumstances presented above, there is a need for a more vigorous program of adult education to solve the problem of illiteracy and provide educational opportunities to the out-of-school youths.

The following tables show the expansion in various programs of adult education during the four-year period: 1967-1970.

Table XI.5 - PROJECTED ENROLMENT IN LITERACY CLASSES

School Year	Number of complete elementary schools	Number of secondary schools	Number of teachers colleges	Number of illiterates to be made literate a/
1966-1967	3,205	103	3	100,450
1967-1968	6,705	153	7	207,450
1968-1969	10,205	203	7	314,450
1969-1970	13,754	254	7	422,100
Total	13,751	254	7	1,044,450

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a/ The number of illiterates to be made literate in the first year was computed on the basis of 30 for each complete public elementary school; 40 for each public secondary school; and 60 for each normal school. The schools included are those found in the 24 school divisions indicated in Memorandum No. 22, s. 1966. For the three succeeding years of the drive, the remaining number of elementary schools and secondary schools which is 10,540 and 151 respectively, were prorated for the three succeeding years to approximately one-third for each year. Since there are only 7 state normal schools in the whole country, they are all expected to participate in the drive beginning on the second year.

Table XI.6 PROJECTED ENROLMENT IN CONTINUING EDUCATION

School Year	Expected Enrolment a/
1966-1967	98,550
1967-1968	94,750
1968-1969	90,125
1969-1970	103,750
Total	387,175

Table XI.7 PROJECTED ENROLMENT IN THE FOLK SCHOOLS

School Year	No. of Folk Schools	Expected Enrolment b/
1966-1967	37	2,960
1967-1968	42	3,360
1968-1969	47	3,760
1969-1970	52	4,160
	52	14,240

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a/ Includes all students in short-term courses and in all opportunity classes excluding the folk schools.

b/ Computed on the basis of 80 students minimum in each school.

Table XI.8 EXPENDITURES FOR ADULT EDUCATION, 1967-1970
(In thousand pesos)

	1966-67	1967-68	1968-69	1969-70	Total
Salaries for coordinators	649.6	974.4	1,299.2	1,624.0	4,547.2
Expenditures for folk schools	22.2	25.2	28.2	31.2	106.8
Expenditures for materials	372.1	119.6	117.0	125.4	734.1
Salaries for curriculum writers and translators	20.2	8.4	8.4	8.4	45.4
Total	1,064.1	1,127.6	1,452.8	1,789.0	5,433.5

E. Private Education

Private schools perform a major role in the educational system of the country. They are the main source of the skilled manpower requirements of the development program. There are at present 2,405 private schools, colleges and universities with a total enrolment of 1,379,868 during the school year 1964-1965 representing 18.25 percent of the total school enrolment of 6,620,521.

While elementary education is largely financed by the government to the extent of 90 percent of the enrolment, private schools account for a large portion of students enrolled in the secondary and higher education. About 86 percent of the enrolment of the college undergraduate and graduate levels is in private colleges and universities.

The quality, therefore, of the higher level of manpower of the country depends largely on the quality of education imparted by private schools.

Being privately financed these schools are operated at best to at least break-even and at worse to make substantial profits and give more than satisfactory returns to the investors. In order to raise the quality of education in these institutions the important thing is to provide selective assistance to those colleges and universities which conform to fairly rigorous standards of education.

Assistance to Private Schools from War Damage Special Fund

There is at present an estimated P110 million under U.S. Public Law 68-94 (Philippine War Damage Legislation) available to the Philippines for use for the purpose of furthering educational programs to the mutual advantage of the Philippines and the United States of America. A definite program or programs for the utilization of the fund will be negotiated between the two governments. While a large portion of the fund will be used for the development of the public educational system, it is believed that a sizeable portion of it should be used for upgrading private education in the Philippines.

The areas where the special fund for education is proposed to be used for the improvement of private education are:

1. Upgrading of the quality of teachers, lecturers and professors, in those universities and colleges which conform to fairly rigorous standards of education; and
2. Improving the physical facilities such as laboratory facilities and instruments, teaching aids, and library resources.

For the above purposes, the following will be developed:

a) A program for an educational low interest revolving fund for institutional borrowing to invest in physical facilities subject to the observance of fairly rigorous standards. The loan will be long-term, low-interest rate loans. Part of the income of the fund, tentatively estimated at 50 percent, will be used to finance scholarships for the advanced training of faculty members of borrowing institutions in selected fields according to priorities indicated by national economic and social development programs. In this manner an integrated form of assistance shall be extended through the establishment of physical facilities and the formation of qualified teaching personnel.

b) The establishment of a Science and Technology Equipment and Instrumentation Center whose objectives are:

1) To provide modern and adequate facilities for advanced scientific and technological research and education; and

2) To fully utilize the potential of the existing atomic reactor of the Philippine Atomic Research Commission. The plan is to build this complex around the atomic reactor in Diliman, Quezon City. Its facilities, including staff, shall be extended to private schools offering advanced courses in science and technology. This will greatly accelerate the formation of critical scientific and technological personnel and allow intensive economy-oriented applied scientific research programs.

II. Social Education For Economic Development

Social education for development will take the form of a systematic and relentless effort to educate the people on acts and practices of individuals or groups that are harmful to national economic interest which undermine the future strength of the economy and threaten our economic independence. The objective is to develop a public opinion and a civic conscience against anything that is prejudicial to social interest and operates unduly against the national economy and its future.

Under this program it is proposed to explain to the people in lay terms the economic significance of the many things which people do not feel sufficiently disturbed about because they do not understand their real meaning. People, for instance, do not fully realize the unfavorable effects on industrial production and employment, of smuggling, dumping of foreign goods and the entry of foreign commodities made possible by the underdeclaration of their value with the connivance of customs appraisal officials. People little realize that if we tolerate all acts by unscrupulous and selfish individuals to undermine the laws seeking to protect social interest, no new industries will hardly emerge, and children now in schools will upon graduation find no employment opportunities. People have scant if any idea how the various methods of salting away foreign exchange perpetrated through various means is depriving the country of the resources not only to finance the imports of essential consumer goods for the sustenance of present needs but also to permit the purchase of capital goods for economic development purposes. These practices are especially serious when committed by foreigners with the criminal connivance of our officials. We shall be economic slaves again if we do not watch out.

People do not see that when Public Lands officials sell public land in big parcels to a favored and corrupting few individuals who hold these lands unutilized for speculative purposes, we are in fact permitting a situation where resources are withheld from increasing agricultural supply. Nor are people fully aware how the indiscriminate and rapid denudation of our forests without a corresponding program to reforest the areas concerned is bringing us to the day when our streams will dry up and water supply for our various needs will be deficient and when we shall run short of building materials and when our soils will be exposed to severe erosion. We can multiply these examples of our own acts that will doom us to our own destruction and which we tolerate for lack of understanding of their consequences.

In this effort to inform and educate to develop a social conscience the assistance of the press, radio and television and all media of mass communication should be enlisted. The schools, of course, should play a major role in this effort. So will the church, civic organizations, student organizations, labor unions and similar groups participate actively.

To plan and coordinate the program of social education for development an interdepartmental committee under the Chairmanship of the Press Secretary shall be created. A small advisory group from among outstanding civic leaders who have a thorough grasp of the economic implications of every policy, acts and practices by public officials and by the people in general shall be appointed.

Table XI.9 PROJECTED FINANCIAL REQUIREMENTS FOR EDUCATION
FY 1967 - FY 1970
(In million pesos)

	1967[a]	1968	1969	1970	TOTAL
Department of Education	709.0	811.2	903.2	968.6	3,392.0
Office of the Secretary	.9	.9	.9	.9	3.6
Bureau of Public Schools	666.2	752.3	836.4	893.0	3,147.9
National Library	1.2	2.2	2.4	2.5	8.3
Institute of National Language	.2	.4	.4	.5	1.5
Bureau of Private Schools	1.6	2.8	3.0	3.2	10.6
Bureau of Vocational Schools	38.5	51.9	59.2	67.4	217.0
National Museum	.4	.7	.9	1.1	3.1
State Colleges & Universities	31.5	40.4	43.6	47.2	162.7
Total for Education	740.5	851.6	946.8	1,015.8	3,554.7

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a/ Source: The President's Budget Message for FY 1967.

LABOR WELFARE AND MANPOWER DEVELOPMENT

National Policy on Labor Labor policy shall be based on a continuing positive effort to achieve the fullest and most effective utilization of labor by awakening in the worker willingness and enthusiasm to work and the government providing conditions propitious to the development of the individual and his dedication to economic progress and the building of the community.

General Objectives of Labor Policy In the light of the above declaration of policy, public administration on labor seeks to:

1. Provide instruments and opportunities for training and utilization of capacities and potentialities of human beings as a way of helping them to lead fuller and more satisfying lives while contributing the maximum measure of their skills to economic growth and other purposes;
2. Enhance employer responsibility for providing healthy working conditions conducive to high worker productivity including compensation benefits for injuries and diseases suffered in the course of employment especially where the bargaining position of workers is weak; and
3. Bring workers and labor unions within the family of constructive law-abiding citizens by exploiting their capacity for good and eliminating violence, coercion and unscrupulous tendencies.

A. Labor Welfare Administration

1. Need for Centralized Office The Department of Labor which is charged with the public administration of labor, is presently housed in separate buildings located in Quezon City and Manila. This situation is not only expensive, but it also creates administrative difficulties, and delays services to the public. For the leased premises, there is a yearly outlay of around three hundred and sixty thousand pesos which otherwise could be utilized to amortize the construction costs of a permanent building which can house all the offices under it.

2. Reorganization of Labor Department The overall revamp of the Department in 1957 was guided by a resolute desire to bring labor services closer to the working masses. This was done by decentralizing virtually all operating activities to the regional offices retaining staff and advisory functions in central bureaus and offices.

   Reorganization being a continuous process, a plan conceived to improve further the existing set-up with a view of reflecting the changing balance of program and to meet the growing needs of the labor sector of the economy is being finalized, based on the organization survey conducted by the Department's Internal Management Service. Incidentally the plan dovetails with the decision of the President to reorganize the Executive Branch of the government.

3. Protection of Wage Earners and Salaried Employees There is an urgent need for the revitalization of the wage board system as the instrumentality for effecting adjustments in wage standards towards a more equitable distribution of the proceeds of production. There are at present petitions from workers in six different industries for the creation of Wage Boards awaiting action by the Department of Labor. These industries are the jeepney transportation, rice milling, coconut, shipping, retail merchandizing and rice production. The industry studies that should be conducted preparatory to determining whether or not to create a wage board for each of these industries have either been commenced or halted due to lack of funds. The Wage Board Coordinating Section does not have the facilities, personnel and funds to conduct the industry studies.

With the approval of Republic Act No. 3844, otherwise known as the Agricultural Land Reform Code of 1963, the Department is called upon to implement and enforce provisions relating to minimum wage, eight-hour labor, compensation benefits and others now enjoyed by industrial workers.

Republic Act No. 4119, which was recently approved, also extends the coverage of the Workmen's Compensation Act to all government officials and employees, including government-owned and controlled corporations, as well as religious, educational, and charitable institutions. Likewise, under the new Minimum Wage Law which took effect in 1965, all enterprises and undertakings, whether for profit or not, where there exists, an employer-employee relationship have been included in its coverage. Since the new Minimum Wage Law went into effect, an increasing number of complaints are being received by the regional offices involving violations of the law. As a result, the field personnel of the Department are now called upon to service a number of workers almost triple that which they were servicing until a couple of years ago. The personnel of the Department, limited in number as they are, cannot reasonably undertake the considerable increase in the work load imposed upon them by the approval of these laws.

Other problems of implementation have likewise arisen and these are largely caused by organization difficulties and inadequate traveling expenses and supplies for field personnel.

There are industries and occupations where conditions of work are so peculiar as to necessitate the formulation and adoption of labor standards suitable to the peculiarities of the industry concerned. These are the plantation workers, seamen, fishermen, performers, salesmen, and teachers in private schools and colleges. An inquiry into the terms of employment in the entertainment industry was begun but could not be finished for lack of funds. A partial study covering migrant workers in the sugar industry was completed way back in 1956 but needs updating to include workers in other plantations.

Republic Act No. 679, as amended, was enacted for the purpose of regulating the employment of women and children. It gives them benefits and sets the standards for their employment. Experience has shown that the law is now in need of revision to make it conform with the needs of workers under its protection.

The provision giving solely to the employer of a woman employee going on maternity leave the burden of paying the benefits granted by law during the duration of leave period discriminates against the employment of women, especially the married ones. It is becoming obvious that employers will continue employing women (especially married women) only when their wages are substantially lower than those of men. The provision requiring the establishment of day nurseries when more than fifteen married women are employed also limit employment opportunities.

Premature child labor in domestic service and in street trades is still a problem. The law applies only to industrial, commercial and agricultural jobs. It does not apply to work in domestic services and street trades. Its limited scope has resulted in depriving young persons out of regulated jobs into unregulated ones where they are exposed to the evils which regulations have tried to eliminate elsewhere.

Assistance in placement is likewise negligible. The Office of Manpower Services in the Department does not offer a specialized service for the young. All applicants regardless of age are served by priority as to training and qualifications and the particular needs of the employer.

Placement services in schools are limited to their graduates and students. Civic organizations with similar service is also limited in scope. Vocational guidance is not yet extensive.

4. Promotion of Industrial Peace The foremost objective of the Bureau of Labor Relations is to promote and enhance industrial peace. It does so by promoting responsible trade unionism, maintaining labor-management harmony through preventive mediation and settling labor disputes through conciliation and voluntary arbitration.

In order to promote responsible trade unionism, a mass workers education program has been launched to harness the non-unionized segment of workers and to instill in them the advantages of forming labor unions.

To further strengthen the unions organized and registered according to law, genuine organizations and leaders are encouraged while spurious ones are sought to be eliminated. This is done through the cancellation of the permits of organizations which cease to fulfill certain requirements, non-registration of fake labor unions, and examination of financial accounts of existing labor organizations.

To maintain and promote labor-management harmony, a program of preventive mediation was initiated. This aspect of labor relations being newly introduced in this country still has to prove its worth. It is hampered by the general popularity of conciliation as the means of settling labor disputes and a distrust for new concepts and methods. An earnest promotional drive for the use of preventive mediation is presently being undertaken. This gives greater importance to the prevention of labor disputes rather than their cure.

5. Protection of Workers from the physical risks and hazards of employment The approval of Republic Act No. 4119 amending the Workmen's Compensation Law on June 20, 1964 marked a milestone in the history of workmen's compensation in the Philippines and signalled a significant gain not only for workers in private employment but also for the more than half a million state workers. In fact, its passage

placed the Workmen's Compensation Law on the same standard level of workmen's compensation laws of highly developed and progressive countries.

The protection of the lives and limbs of the laboring class through promulgation of mandatory health regulations and arousing health consciousness in management has been a continuing program of the Department of Labor. For the next four years, however, in view of the expected industrial growth, these activities will be revitalized.

Industrialization will indeed lay greater stress on these two activities of the Department, namely: promotion of industrial safety and the administration of the Workmen's Compensation Act. These are closely related activities with one seeking to prevent what is to be paid for by the other.

6. International Labor Relations In spite of the statutory hourly wage enjoyed by all American workers in non-agricultural industries in the United States including its territories, army and naval bases, not all Filipino workers in U.S. territories have been extended this benefit. Strong representations with the U.S. State Department and Labor Department officials for an extension not only of the statutory minimum wage but also of all other fringe benefits, including social security, to Filipino workers have been made.

Through the Office of Manpower Services, employment contracts for Filipino workers proposed for employment abroad are closely scrutinized before they are approved by the Department to prevent the exploitations of workers.

Program Targets and Recommendations

1. Construction of a Department of Labor Building The construction of a building to house all the offices of the Department of Labor in a readily accessible location will enable the Department to handle its affairs more efficiently and expeditiously.

   For this project, enactment of a law authorizing the Secretary of Labor to negotiate with the Government Service Insurance System and/or any other government instrumentality or agency for a loan to defray the cost of a lot and a Department of Labor Building, which in no case shall exceed six million five hundred thousand pesos and payable within twenty years in monthly installments out of the budgetary appropriations, will be sought.

2. Reorganization of the Department The projected reorganization of the Department will be undertaken with two major guidelines, namely:

   a. To streamline the structure of the administrative machinery for more effective and economical operations; and

b. To expand the services thru further decentralization.

Under the plan, broad functions of the Department involving policy and implementation shall be allocated to the undersecretaries for policy and implementation, respectively.

The Undersecretary for policy shall be responsible for support services and for formulating policies, plans and programs which will be determined by central bureaus. As staff entities the bureaus will provide advisory and consultative services.

The policy of decentralization shall be further extended by relieving the bureaus of remaining operating functions, bringing the operating base further down to the provincial level and giving the provincial offices authority to act finally on a wide variety of labor problems and cases, thus providing labor services on a more personalized basis. Supervision will be strengthened, however, by providing for an undersecretary for implementation.

An integrated machinery for manpower organization, development and utilization will be provided by the creation of the Human Resources Bureau - a merger of the Offices of Apprenticeship, Office of Manpower Services and Labor Statistics Service, which like the other bureaus, will serve in a staff capacity. Regional employment offices to implement its policies and programs will be established in strategic centers of labor through the country.

The projected reorganization is expected to facilitate operations and enhance results.

3. Elimination of graft and corruption in the labor service

One of the many causes of graft and corruption in the public service is the abuse of the power to approve or not to approve. Thus the wider the latitude of discretion attached to a position, the more subject it is to abuse and graft. By limiting such discretionary powers, usually connected to the issuance of permits and licenses, one major source of graft would be curtailed.

One form of limitation is to specify clear-cut and uniform conditions for the exercise of such authority, or reduce it to those ministerial in character.

This program will mean reducing the more than thirty permits, certificates, and licenses issued by the different agencies of the Department of Labor and will be based on the principle of "least government interference in the conduct of economic activities," leaving the determination of work conditions to collective bargaining or to individual employer-employee agreements. Also, it is realized that continued government paternalism evident from the permit system will do more harm than good to the development of free trade unionism.

4. Expansion of Legal Service This proposed project consists of the expansion and strengthening of the present Legal Staff necessitating its conversion into a Service. It will not only reduce the backlog in the Legal Consultation Section but will also meet the increasing need of the Labor segment for legal service. The Department of Labor's Bureaus and Offices likewise need the Legal Staff for legal assistance. Compilation and publication of Supreme Court decisions on labor cases and of all department opinions is also contemplated.

Protection of Wage Earners and Salaried Employees

To ensure full protection to all workers, in general, and to special groups, in particular, these projects will be undertaken:

1. Revitalization of the Wage Board system as the instrumentality for effecting adjustments in wage standards towards a more equitable distribution of the proceeds of production.

   The use of wage boards to fix minimum wages in industries that can afford to pay more than the statutory wage shall be encouraged. Wage Boards for the six industries from whose workers petitions for the creation thereof have been received shall be given priority. These are the jeepney transportation, rice milling, coconut, shipping, retail merchandising and rice production. Industry studies preparatory to determining whether or not to create Wage Boards for these industries shall be continued or commenced.

2. Maintenance of labor standards through the vigorous implementation of existing labor laws:

   a. The development of a well-balanced inspection program, laying emphasis on the particular class of workers who are more exploited than the rest due to their weak bargaining position, shall be undertaken. These are the agricultural and retail sectors where workers are not well unionized, hence, lacking the strength to bargain collectively.

   b. Industrialization and increase in the number of hired workers in agriculture, both of whom are paid by piece rates, make imperative a systematic and continuing piece rate determination.

   c. Implementation of the "equal pay for equal kind of work" provision of the Women and Child Labor Law and the Minimum Wage Law shall be sought. So firmly established is the practice of paying women less than men that the setting aside of certain jobs as "women's jobs" continue. These are predominantly in agriculture, handicrafts, industrial homework and the less desirable types of factory work. As industrialization proceeds and women take their place in the labor market, assurance of equality of wage in practice as well as in law shall be given.

d. Prohibition of the employment of children in hazardous jobs and implementation of the periodic medical examination for workers under eighteen years of age shall be intensified.

e. The special type of workers such as industrial homeworkers, and handicapped workers shall be extended protection through the full implementation of the provisionsof labor laws applying to them.

Promotion of Industrial Peace

1. Promotion and encouragement of free, strong and democratic trade unionism A climate shall be provided for the emergence of a free, strong and democratic trade unionism in the country through:

   a. Promotion of internal union practices which should be free from domination of any interest other than those of the workers;

   b. Promotion of union leadership training supplemented by a rank and file education program to enable workers to participate in union activities;

   c. Promotion of employers organizations.

To carry out these objectives, the following projects/activities shall be undertaken:

a. Mass Worker's Education Program Directed towards the unorganized segment of the workers, its aim shall be to stress the value and advantages of trade unionism and to generate their interest and enthusiasm to self-organization.

For this purpose, a region-wide survey of non-unionized enterpreneurs shall be conducted by each regional office. On the basis of such reports, programs shall be prepared.

b. Accounts Examination Sound internal practices and procedures on the collection and disbursement of union funds shall be promoted.

Routine examination and examination based on complaint cases shall be maintained.

2. Promotion of Free Collective Bargaining Practices Free collective bargaining practices shall be promoted between organized workers and employers, through -

a. Formulation of rules to be followed in the negotiation and administration of collective bargaining agreements.

b. Formulation of standardizing rules and collective bargaining agreements in the industry-wide basis to be used by the parties with ample room for flexibility.

3. Utilization of Preventive Mediation as means of avoiding labor disputes through the following activities

    a. Holding seminars and conferences on preventive mediation.

    b. Proffer of service to management and labor unions about to renew their collective bargaining agreements.

    c. Research on causes of industrial disputes and study of ways to eliminate such causes.

4. Speedy Settlement of Disputes Through Voluntary Arbitrations

    Voluntary arbitration, both as a concept and as a process, shall be established within the wide sphere of labor management relations. The professionalization and the institutionalization of the Panel of Arbitrators shall be a goal.

    a. A voluntary arbitration Rules of Procedures and a Code of Ethics for Arbitrators shall be formulated and adopted.

    b. Reactivation of the National Panel of Arbitrators and grouping of members on the basis of industries to provide expertise among the members.

Protection of Workers against the Physical Risks and Hazards of Employment

Greater promotion of safety in industry for the protection of workers and implementation of the Workmen's Compensation Act.

Industrial growth is usually accompanied by a rising incidence of deaths and disabilities arising from employment. In this respect there is need to lay stress on two activities of the Labor Department, namely, the promotion of industrial safety and the administration of the Workmen's Compensation Act. These are closely related activities, with the one seeking to prevent what it is to be paid for by the other.

Because an ounce of accident prevention is worth more than a pound of compensation, the health and safety promotion program of the Department shall be intensified. For this purpose, those projects are contemplated -

1. Maintenance of liaison and coordination with the Safety Organization of the Philippines (SOPI) in holding annual safety programs in the twelve regional seats and in provincial capitals to make the public safety-conscious.
2. Construction of a House of Safety, to serve as a demonstration and laboratory for safety devices and a museum for materials related to industrial safety. For this purpose, an annual sweepstakes allotment will be sought.
3. Clearing of backlogs of Workmen's Compensation cases thru speedy disposition of all claims for payment of benefits due the workers for injuries sustained in the course of their employment. For this purpose, all positions of Hearing Officers in the Regional Units

of the Bureau of Workmen's Compensation shall be recommended for filling.

4. Implementation of the compulsory workmen's compensation scheme shall be intensified.

5. Vigorous campaign for registration of establishments under the Workmen's Compensation Law shall be undertaken.

International Labor Relations:

1. Protection to workers in overseas employment This shall be achieved thru the following:

   a. Close scrutiny of all employment contracts for Filipino workers proposed for employment abroad to avoid their being exploited.

   b. Continuation of negotiations for the extension of the statutory hourly minimum wage enjoyed by American workers in non-agricultural industries in the United States including its territories, army and naval bases, to all Filipino workers overseas and in American bases; and

   c. Philippine Labor Attaches shall extend help to all Philippine nationals in overseas employment.

B. Manpower Development

The development and utilization of the human resources of the country, as factors of production, deserves the highest priority consideration. While the physical requirements for production can be acquired with the necessary capital, the factories, farms, offices, schools, hospitals, and enterprises as a whole have to be manned by a labor force equipped with the necessary skills and aptitudes if it is to produce the goods and services required to raise the standard of living of the people. Unless proper consideration is given to a timely and orderly development of human resources, the achievement of the development goals would be difficult.

Current Situation - Out of the 32.3 million population in 1965 the labor force which is composed of those persons 10 years old and over who are either employed or able to work and seeking work was estimated at 11.5 million or 1.7% more than that of May, 1964. Of said labor force, 10.5 million were employed which represents an increase by 0.27% over that of the previous year. On the other hand, unemployment increased from 724,000 (6.4% of the labor force) in May, 1964 to 947,000 (8.2% of the labor force) in 1965. Aside from this alarming increase in unemployment the incidence of underemployment is likewise high. The latest information indicates that three out of every eleven workers desires additional employment, while thirteen percent of employed persons work less than 40 hours a week.

Agriculture accounted for 57.4% of total employment while 42.6% were engaged in non-agricultural pursuits. The trend is a slow but steady shift in the structural distribution of the employed labor force from agriculture to industry.

Although up to the present time information is still inadequate to make an accurate and comprehensive assessment of the country's manpower resources, both quantitatively and qualitatively, it is known that shortages of trained and competent manpower exist in the professional and sub-professional occupations and in all craftsman occupations. Among the professional occupations, particularly in the scientific, technical and managerial levels, the shortages in the sub-professional level exist among engineering, laboratory and medical technicians.

Need for Manpower Programming In a developing economy such as the Philippines, the need for manpower programming is most acute. Like other developing countries, development is intended to be achieved within the shortest time possible. Within a certain time-table developmental projects are envisaged to be established. This requires that certain types of workers must be available when needed as otherwise such projects can not be implemented and the development sought to be accomplished can not be achieved. But the availability of trained workers when needed can not be left to chance. There has to be a deliberate effort to anticipate the need and to provide the necessary training early enough. Most often it takes a longer time to train a worker than it is to build a factory. This is particularly true in the case of professional, technical and managerial occupations, the demand for which may well be expected to increase in greater proportion as plants and processes are modernized.

One of the main drawbacks to the development and maximum utilization of Philippine manpower resources is the lack of coordinated manpower programming. While manpower programs, surveys and studies have been undertaken by the government, these endeavors have not been focused sharply on the overall needs of the country's economic and social growth because of the lack of centrally coordinated manpower programming, decision and action. Manpower functions are widely distributed and shared by almost every arm of the government. There is no single department or agency of the government at present that could normally embrace the whole field.

Development of Adequate Information The first and foremost need for programming manpower development is the development of adequate, appropriate and timely information. This itself has to be planned, programmed and implemented. Efforts have been made in the past to develop this information, but a great deal yet has to be accomplished. The establishment of employment offices which was approved in a previous session of Congress, if implemented, is expected to play a significant role in the development of appropriate information because the collection of manpower information is a natural by-product of employment service operations. Surveys appraising manpower demand and assessing manpower supply are essential early in the process of development for an effective manpower planning and programming to minimize or prevent blockages to economic development arising from the shortages and appropriate manpower, and to forestall the dangers to social and political stability concommitant with the existence of high levels of unemployment and underemployment.

Development of Necessary Administrative Machinery To undertake effective programming of the manpower resources of the country to support the socio-economic development program, it has become evident that an adequate administrative machinery should be established. While some parts of the machinery envisaged are already in existence, particularly agencies involved in the collection of manpower data, at least two other important parts of the machinery should be created.

The first would be a high level office, a Manpower Development Council, adequately staffed, with a cabinet-level advisory participation which shall perform the overall manpower programming consistent with the overall socio-economic development program, determine the information that should be obtained, undertake projects and formulate the necessary recommendations for action. Since the work of this Office should be closely coordinated with the national economic plan, it should work very closely with the National Economic Council. In performing its functions it should consult with the other departments of government affected by its programming functions and maintain close working liaison with government and private organizations involved in economic development.

The second would be a National Employment Service Office which would be an expanded version of the present Office of Manpower Services in the Department of Labor. It shall concern itself with the organization and management of the national and local labor markets, operating through a network of local offices throughout the country, providing recruitment and placement services, area labor market analyses, employment counselling to job applicants and other related services. It shall also maintain an occupational research and development program and make available the products of such research to all sectors of the country. Properly managed, it should be able to provide information on labor demand and supply by occupation and industry, and keep tract of employment trends and problems which are extremely important to the planning office.

The establishment of the administrative machinery outlined above will provide the instrument for an effective marshalling of the manpower resources of the country to the development effort. Without it the successful implementation of the socio-economic program may falter or may be left to chance alone.

Specific Objectives

1. To obtain national coordination of activities for manpower development and utilization;
2. To expand employment services for placement, employment counselling, effective manpower utilization, occupational analysis and labor market information;
3. To provide for a systematic and continuing assessment of the labor force that will yield data in sufficiently meaningful terms to serve as a basis for sound manpower planning;
4. To translate manpower needs and requirements into educational training terms, plans and actions,
5. To reduce unemployment and underemployment; and
6. To increase the productive efficiency of workers.

Program

1. A Manpower Development Council shall be created to undertake coordinated programming of the development and utilization of the manpower resources of the country. It shall be composed of representatives from the private sector and the government, the latter to be represented by the Chairman of the National Economic Council, the Secretary of Labor, the Secretary of Agriculture and Natural Resources, the Secretary of

Education, and the Secretary of National Defense. It shall be a high level office, adequately staffed with professionally trained personnel. It shall perform programming and policy formulation with respect to manpower development and utilization and undertake projects connected therewith. It shall be a developmental supervisory and coordinating mechanism concerned with the expansion of facilities and the improvement of curricula and training methods in and out of schools, including apprentice training.

2. Twelve employment exchanges shall be set-up by FY 1970 in strategically located labor-market areas, which shall form the nucleus of a National Employment Service Office in the Department of Labor. The Office will provide recruitment and placement services, area labor-market analyses, employment conselling to job applicants and other related services. It shall also maintain an occupational research and development program for use both by the private and public sectors of the country.

3. A manpower assessment survey of the labor force relating occupations with educational, training and experience qualifications will be initiated in FY 1967 with assistance from the ILO.

Table XI.10 LABOR WELFARE ADMINISTRATION AVERAGE EXPENDITURES BY PROGRAM 1962-1965 AND ESTIMATES FOR 1966-1970

(In thousands)

Programs and agencies involved	Average of FY's 1962-65 Total expenditures		Previous estimates				New estimates			
			1966		1967		Fiscal years			
							1968[a]	1969[a]	1970	(%)
	(P)	(%)	(P)	(%)	(P)	(%)	(P)	(P)	(P)	
Total for Department	5,184	100.0	6,535	100.0	6,262	100.0	8,397	11,385	14,800	100.0
General administration (Legal services, international labour representation, general administration)	1,033	19.9	1,382	21.2	1,333	21.3	1,268	1,719	2,233	15.1
Policy guidance & consultative services	1,021	19.7	1,264	19.3	1,218	19.5	1,495	2,027	2,640	17.8
Operations:										
1. Organization, development & utilization of human resources (OMS, OA)	536	10.3	689	10.5	653	10.4	2,007	2,721	3,536	23.9
2. Enforcement of labor standards laws (FOS), (BWC - 26.5%)	2,191	42.3	2,801	42.8	2,678	42.8	2,485	3,370	4,381	29.6
3. Promotion of industrial peace (BIR, Accounts)	402	7.8	398	6.1	380	6.1	1,142	1,548	2,010	13.6

a/ The total budget estimates for 1968 and 1969 were obtained by assigning to each year 25 and 35 percents, respectively, of the difference between the 1970 goal and the 1967 budget and reapportioning them into the programs assuming the same percentage distribution as that in 1970.

4. Intensification of the promotion and implementation of the apprenticeship training program in critically needed trade skills to enable said program to meet a greater portion of the requirements.
5. A program to increase productivity of industrial workers through the establishment of practical training centers for young workers, particularly those out of the school system, shall be developed with technical assistance from the ILO.
6. A program to provide practical training for farm workers through the cooperation of farm owners, farm workers and the government shall likewise be developed.

HEALTH AND NUTRITION

The State considers it as one of its main concerns to provide the health services necessary especially to the lower and middle income groups. This concern stems from both purely humanitarian considerations and the fact that the promotion of the health of the citizenry is of paramount importance to national progress since manpower productivity depends upon the state of health that the labor force enjoys.

The Health Department already has the proper organizational setup and is backed up with the necessary basic public health laws and technical manpower to carry out its functions and goals. What is needed is a redirection and reinforcement of the basic health services and long-range health programs. This four-year health development program, therefore, lays emphasis on the provision of more efficient basic public health and medical care services, the early detection, prevention, control and treatment of communicable diseases through an effective disease intelligence network; the improvement of diagnostic laboratory facilities; maintenance of a high level of herd immunity; improvement of environmental sanitation; health education, nursing and dental services; and the improvement and expansion of the existing facilities for research and production of biologics and sera.

Objectives The main objectives of the health development program is to improve the health of the people by raising the standard of the basic health and medical services in the country.

The specific objectives are aimed at accomplishing the following:

1. To expand coverage of preventive services especially in the rural areas;
2. To increase coverage and improve the quality of medical care in hospitals;
3. To improve environmental sanitation;
4. To eradicate malaria;
5. To effect further reduction of maternal and infant mortality rates;
6. To expand and improve laboratories for research and production of biologics and sera;
7. To intensify researches in filariasis, viruses, intestinal parasites, nutrition and control of schistosomiasis;
8. To promote sound emotional health (mental health);
9. To improve disease intelligence services;
10. To provide expanded services for tuberculosis control; and
11. To improve nutrition particularly of the vulnerable age groups.

Current Situation In July 1965, the population of the country was estimated to be 32,345,000. In 1924, it was only 11,404,800 representing an increase of 184 percent in a span of four decades.

The current health situation can be gleaned from the latest health report for 1964 released by the Disease Intelligence Center.

The total registered births was 880,871 or an increase of 29,412 births over that of the preceding year. This, however, includes only the registered births. The population was reported to have increased by 1,039,000 for the same year.

It may be mentioned that of the total registered births in 1964, 53.4 percent were attended by health personnel and 46.6 percent by "hilots" and others. This is significant improvement when compared with the attendance report in 1954 when it was estimated that 85 percent of births in the country were assisted by "hilots" and only 15 percent by health personnel. While deliveries attended to by hilots have been greatly reduced, the percentage of expectant mothers who have to be attended to by health personnel is still sizeable.

The 1964 report also showed that 82.8 percent of the total registered births were delivered at home and 17.2 percent in hospitals. These figures are most significant in relation to planning and programming of maternal and child health activities, like the provision of facilities and up-grading of personnel skill in domiciliary obstetrical services.

The control of communicable diseases is a major public health problem. These diseases are almost evenly distributed throughout the country with a few exceptions such as schistosomiasis and filariasis. In 1964, the leading causes of morbidity and their corresponding rate per 100,000 population were: bronchitis, 802.1; gastro enteritis, 737; influenza, 599.5; respiratory tuberculosis, 374.2; pneumonia, 214; malaria, 130.6; beri-beri, 114.2; whooping cough, 79.9; dysentery and Cholera El Tor, 52.6. While it is true that there is downward trend in the incidence of communicable diseases, militant vigilance and surveillance are necessary to further reduce present rates of incidence.

The reported crude mortality rate in 1964 was 6.9 per 1,000 population. The causes of deaths and corresponding rate per 100,000 population were: pneumonia, 103.1; respiratory tuberculosis, 71.5; gastro-enteritis and colitis, 51.4; bronchitis, 38.1; beri-beri, 32; disease of the heart, 28.6; disease of the vascular system, 24.6; accidents, 22.4; malignant neoplasms, 21.3; and nephritis. and nephrosis with a rate of 12.2

The highest percentage of death by age groups was recorded for those under 1 year (25.2 percent of all deaths) with a rate of 61.5 per 1,000 live births. This is lower than the previous year (1963) when the rate was 66.6 percent. The cause of infant death and the corresponding rate per 1,000 live births were: pneumonia, 14.0; ill-defined diseases peculiar to early infancy, 7.4; beri-beri, 7.0; bronchitis, 6.3; gastro-enteritis, 5.2; immaturity, 4.4; asphyxia and atelectasis, 4; tetanus neonatorum, 2.7; nutritional maladjustment, 1.5; and congenital malformation, 1.5. The rate for the different health regions varied, with Region V registering a rate of 80 per 1,000 live births and Region I, 55.1. The rate in the other health regions fall in between these two rates.

The maternal death rate was recorded at 2.1/1000 L.B. Taking into consideration the causes of death, it is believed that two out of three of these deaths are preventable if given adequate maternal supervision. Less than 50 percent of total deaths received the benefit of medical attention. However, this is an improvement over that of previous years.

The overall health picture indicates that significant gains were made in the control of diseases and the reduction of general mortality. Much more could be achieved, however, if financial support for adequate facilities, personnel, and improved services is provided.

The basic health services provided by the rural health units are: maternal and child health, communicable diseases control, environmental sanitation, nutrition, and industrial hygiene. To date, these activities are being performed by 1,382 rural health units with a complement of 1,304 physicians, 1,299 nurses, 2,298 midwives, and 1,782 sanitary inspectors. Of the 1,382 rural health units operating, only 500 units are completely staffed while 882 units are under-staffed.

A survey of the medical equipment for basic health services showed that they are as old as the health units themselves. Most of the units have inadequate equipment both in quantity and quality. There is a shortage of medicines and medical supplies.

Supplementing the services of the rural health units particularly in maternal and child health are the more than 600 puericulture centers which are subsidized with Philippine Charity Sweepstakes aid of about ₱950,000 annually.

There are today some 139 government hospitals in operation under the Department of Health. These hospitals are classified as: medical centers, 4; regional hospitals, 5; special hospitals, 5; training and teaching hospitals, 14; provincial hospitals, 34; and emergency hospitals, 77. These hospitals operate a total of about 18,000 beds, approximately one-half of which are in five special hospitals. By virtue of a number of enabling acts of Congress, some 98 new government hospitals are due for establishment, all of which are emergency hospitals and having a total of about 2,500 beds capacity.

The Bureau of Research and Laboratories provide the following services:

1. Diagnostic and referral laboratory services;
2. Production of vaccines and sera processing of plasma; and
3. Research and training.

The diagnostic and referral services available consist of a variety of laboratory examinations. Direct services to individuals are limited but referrals from hospitals, institutions and field units including regional and other peripheral laboratories and requests for the control of communicable diseases by the Disease Intelligence Center (DIC) are encouraged. As the Central Referral Laboratory of the National Coordinated and Integrated

Laboratory System of the Department of Health, this Bureau has technical supervision over all regional, provincial, city and local laboratories in the Philippines.

Production activities include manufacture of vaccines and sera for the immunization program of the Department of Health. Whole blood collected by blood donation teams in the different cities and provinces are processed into plasma and returned to places where blood was collected.

Research investigations consist of studies on enteric disease as typhoid, El Tor cholera, dysentery, Philippine H-fever, Polio and other virus diseases, snail fever, hookworm and other soil-transmitted parasitic worms. Under the research studies on snail fever may be included the activities of the Schistosomiasis Control Pilot Project in Leyte and those of the Regional Schistosomiasis Advisory Teams now assigned in Mindoro, Sorsogon, Samar, Lanao del Norte and Agusan. At present, a pilot project on the control of schistosomiasis is being implemented in the province of Sorsogon under the sponsorship of the National Schistosomiasis Control Commission with material aid in the form of food stuff coming from the AID/Food for Peace.

The incidence of malaria and its actual distribution throughout the Philippines has not improved since 1958. It is presently characterized by widespread transmission in endemic areas with some outbreaks in isolated non-malarious areas. The national plan of operations for the eradication of malaria is under revision from FY 1967 thru FY 1973. Baseline information is being revised for proper up-dating; campaign strategy and resources are under assessment to match with an intensive campaign in order to insure effective results.

Foreign Aid Support from WHO and AID are equally under revision subject to the Philippine Plan of Operations.

A campaign for the construction of toilets for every home is being pursued with greater vigor. As of 1964, it was estimated that 4,500,000 families still needed to construct toilets.

As of September 1964, only 694 of the 1,342 sanitary inspectors had received training on the technical functions of sanitary inspectors. A program to give training to all sanitary inspectors in the field is needed.

1. Health Program

   a. Expansion of the Rural Health Program This is featured by the addition of health personnel to complete the staffing pattern of 882 existing rural health units and the establishment of 52 RHUs annually for the program period. The total additional staff required exclusive of the additional RHUs is 1,922, distributed as follows: 312 municipal health officers, 674 public health nurses, 717 rural health midwives, and 219 sanitary inspectors. This, together with the staff for the additional units, will entail ₱8,670,660 to implement.

b. Communicable Disease Control Program The Immunization Program includes the following priorities:

1) Anti-smallpox vaccination program;
2) Anti-diptheria, pertussis and tetanus program;
3) Anti-cholera program; and
4) Anti-poliomyelitis program.

and projected programs:

1) Anti-measles control program;
2) Anti-influenza control program; and
3) Anti-rabies control program thru the immunization of the canine population.

To achieve the objective of providing immunity to at least 70 percent of the population, the amount of ₱11.4 million will be required for the next four years. An additional ₱250,000.00 will be needed for surveys of chronic and nutritional diseases.

c. Maternal and Child Health Program

1) The improvement of existing maternal and child health services will be sought through intensified maternal and child health supervision. This will involve the integration of social pediatric practices into the current MCH

activities. The program calls for the improvement of MCH activities in at least two rural health units in each of the provinces. A total of 112 units each year or 448 improved units in 4 years is expected to be developed.

The implementation of this program requires the supervision by a MCH Specialist at the Regional level. None of the Regions have provided for such a position. The provision of one MCH Medical Specialist who will supervise this program in each Region will cost ₱54,720.00.

2) The nursing supervision program - This program is featured by the provision of vehicles to regional and provincial nurse supervisors. UNICEF provided the vehicles at the cost of $1,500 per VW Station Wagon. Sixty cars have already been provided by UNICEF with a total cost of ₱351,000.

3) The "Hilot Training Project" - The target of this project is to complete training of 7,000 "hilots" at the end of 1966. This program will be integrated into the national program to reach the estimated 4,000 practising hilots who as yet have not received any training.

The integration of this project into the regular program will require ₱72,000 to cover the stipend of 4,000 hilots who will be trained in the next four years.

4) The continuation of the project providing drugs and diet supplements for pregnant women, nursing mothers and children - UNICEF provided commodity assistance to this project in the amount of $34,000 in 1965. It is hoped that this amount will at least be maintained if not increased during the next four years.

5) Coordination with the Department of Education in the School Health Program. The provision by the Department of Education of the necessary school health personnel for this program is quite slow. The Department of Health, under such a situation, should take an active part for the promotion of the health of the school children through its rural health personnel where there are no school health personnel.

6) Training of rural health personnel in the various aspects of maternal and child health activities. The training of 100 health workers each year for the next four years will require ₱90,000.

d. Industrial Hygiene Program

1) Training of technical personnel This has priority among the activities planned in the industrial hygiene program. This program proposes the training of physicians, nurses and chemists selected from the staff of the Regional Health Offices on administration, principles of industrial hygiene and occupational health, instrumentation and sampling techniques, detection and control of hazards and fundamental laboratory procedures. The personnel who will be trained will then form the nucleus of the industrial hygiene unit in the region.

2) Radiological health program The objective of the program is to provide a healthful and safe environment through the prevention and control of hazards emanating from radiation-producing machines and from the use of radioactive materials in diagnosis and theraphy as well as in industry. This is made necessary by the rapidly increasing use of ionizing radiation in medicine and public health, agriculture and food preservation, and industry.

e. Environmental Sanitation Program

1) Water supply About 400 water supply projects for health centers and schools will be completed. Some 30 governmental hospitals will have their water supplies and sanitary facilities improved and completed.

2) Toilet campaign The program features a more intensive campaign for the construction of sanitary toilets. More communities are expected to attain 100 percent toilet construction under this program.

3) Training program Continuation of the training of sanitary inspectors. As of January 1966, 800 sanitary inspectors had completed training. These trainees were provided with kits and motorized bikes to assist them in their work. The program is estimated to cost ₱340,000.

4) Food sanitation This involves the creation of a Food Sanitation Section within the Bureau of Health Services. The section will develop the program for the implementation of food sanitation laws and regulations in the country. This will cost ₱205,000.

f. Malaria Eradication Program The old plan of operations previously agreed upon with the aiding agencies will be revised in accordance with the latest findings. Full-scale attack operations will be started in October 1966. The attack operations consisting mainly of twice a year spraying of houses will terminate in 1969. During the last year of the attack operations, a nation-wide surveillance system will be started to continue up to the end of 1972. Barring unforeseen circumstances, by the end of 1972, the disease is expected to be eradicated. This is expected to cost ₱37.76 million for the next four years.

6. Hospital Development Program

1) Problems There are many serious problems to be faced in the attempt to provide essential health and hospital services. The spiraling costs of hospital construction and operation, obsolescence of building and equipment, uneven distribution of facilities - shortages in some areas and over-supply in others - many small institutions which cannot provide quality and economy services, wide variation in quality of service, and rapid changes in the composition and distribution of population - these are problems which complicate present-day hospital planning and development. Furthermore, there is need to develop policies

and standards based on community needs to guide hospitals and related community health agencies.

Approximately ₱110 million is immediately necessary for the improvement of government hospital buildings, equipment and operation to upgrade hospital services. The present system of financing government hospitals under RA 1939 is, however, rather obsolete as it is not responsive to economic changes and actual community needs. Hence, it is imperative to redefine the structure of financing hospital care, in line with the policy of decentralizing services and giving autonomy to the local government, as well as to ensure a continuing community participation in the national program of medical care.

It is believed that a new system of financing government hospital care should be adopted. As the care of the sick is a community responsibility, and in order to bring the health services closer to them, the new system is believed necessary in preparing the provincial, city and municipal governments to assume full responsibility in the operation of government hospitals within their respective territorial jurisdictions. Under such a concept, the national government shall gradually withdraw from financing the operation of government hospitals on the provincial and municipal levels, and shall then concentrate on the operation of the base area hospitals, including special hospitals for long-term care such as for mental illness, leprosy, crippled children, the cardiacs, rheumatics and aged, as well as in developing plans, programs, standards and policies for a more effective supervision and control of these hospitals.

2) Program The specific objectives of the hospital development program include the following:

   a) Development of the North General Hospital as a National Health Institute of Health which shall be the demonstration center for medical care services and where all verified knowledge in medical science and technology are put to test for the benefit of all medical institutions in the country.

   b) Development of the Baguio General Hospital, the Southern Islands Hospital, and the Davao General Hospital as Medical Centers to serve as the centers of comprehensive medical care, medical education and training, and research in the respective three geographical subdivisions of the country. This involves the expansion of the bed capacities of such hospitals to 450 beds each. The expansion involves the amount of ₱17.28 million.

c) Development of five Regional Hospitals, namely: Cagayan, Batangas, Camarines Sur, Negros Occidental Provincial Hospital, and Zamboanga General Hospital to serve as referral hospitals as well as centers of training, medical research and public health while being developed ultimately as Medical Centers so that each of the eight health regions of the country will eventually have a Medical Center. This involves the expansion of their bed capacities to 250 beds each. The expansion involves the amount of ₱16.56 million.

d) Expansion and development of 14 designated training and teaching hospitals to meet the full requirements prescribed for this class of hospital and to provide the training and teaching of resident physicians as embodied in RA No. 1243, as amended, otherwise known as the Hospital Residence Law. Each hospital is to be expanded to 200 beds. The expansion involves the amount of ₱27.36 million.

e) Expansion and improvement of 33 other provincial hospitals to meet requirements for the departmentalization of their services and to enable them to handle more effectively the major medical needs of the people in the respective provinces. Each hospital is to be expanded to 100 beds. The expansion involves the amount of ₱22.4 million.

f) Improvement of all Emergency Hospitals to enable them to help carry out more efficiently and effectively the integrated public health Program in the rural areas.

g) Decentralizing and regionalizing Special Hospital services and integrating them into the general hospitals in line with the concept of total health care of the individual patient, and maintaining the existing five Special Hospitals as parts of the National Institute of Health that shall be developed.

h. The National Mental Hospital in Mandaluyong, Rizal, will be gradually converted into a workable training hospital, with less patients, for more active rehabilitative theraphy mobilities, thus increasing discharges - designed to modify existing institutional practices and to set a programme of fellowships for staff of said hospital in order to put into actual work the recommendation of WHO consultants to convert the NMH into a mobilized training institute. Regional Mental Hospitals are envisioned in Visayas and Mindanao within the next four years.

3) Philippine General Hospital Improvement and Expansion Program

a) Current situation The Philippine General Hospital is the biggest and one of the oldest hospitals in the country having been established during the early years of American occupation. It is operated and maintained by the national government with a yearly subsidy from the Philippine Charity Sweepstakes beginning the year 1935. It has a total bed capacity of 960 of which 890 are charity beds and the rest are pay beds. The hospital admits more than 100 percent of its capacity. It is not unusual that there are 98 patients in a ward which normally holds only 40 patients. The kitchen is in dire need of expansion and improvement considering the number of patients and personnel it serves.

Taking into account the present situation actually obtaining, it can be said that the hospital is operating well below the accepted minimum standards set for hospital services.

b) Problems

(1) Critical shortage of bed space resulting in overcrowding of patients even along the hospital corridors;

(2) Dilapidated condition of the building characterized by leaking roofs and discharge of obnoxious odors emanating from comfort rooms;

(3) Obsolete and outmoded hospital equipment;

(4) Poor sewerage system; and

(5) Inadequate staff and low salaries.

c) Program Targets and Recommendations In order that the Philippine General Hospital could operate within the minimum standard requirements of the Hospital Licensing Law, the following measures are proposed to be undertaken from FY 1967 to FY 1970:

For FY 1967:

(1) Rehabilitation of the Emergency and Admitting Department;

(2) Transfer of the X-ray Department, Central Laboratory and the Central Supply to the old kitchen after it is rehabilitated;

(3) Building of a new kitchen;

(4) Repair of the roofs of the different buildings of the hospital;

(5) Improvement of the toilets and baths facilities of the different units of the hospital;

(6) Rehabilitation of the different dormitories for interns, residents and nurses;

(7) Painting of the different buildings of the hospital; and

(8) Construction of the nursery for the babies of the charity wards.

For FY 1968 - Expansion thru the construction of a third floor to provide for 125 additional beds.

For FY 1969 - Construction for another 125 additional beds, and construction of a new dormitory for graduate nurses and acquisition of new equipment.

For FY 1970 - Construction for another 125 beds.

The improvement and expansion program of the Philippine General Hospital will require the following yearly outlays:

FY 1967	-	₱ 2.0 million
FY 1968	-	2.5 million
FY 1969	-	3.0 million
FY 1970	-	3.0 million
TOTAL		₱10.5 million

h. Provision of Expanded Services for Tuberculosis Control Tuberculosis isthe second leading cause of death and accounts for 12 percent of all deaths. Present tuberculosis control facilities are grossly inadequate. The proposed four-year program seeks to provide financial support for the establishment of adequate services. During this period, 23 additional chest clinics will be established to complete the total of 60 units provided for by law and which represents the minimum needs of the program. The additional chest clinics are envisaged to strengthen the case-finding and treatment services of the tuberculosis control. Ambulatory Chemotherapy provides mass treatment for the cases discovered. Considering that treatment is the most important tool in T.B. control, the four-year plan shall continue development of ambulatory chemotherapy or home treatment in collaboration with the rural health units since it is less expensive than hospital treatment. Prevention thru BCG immunization shall be continued thru 20 BCG teams. In the future, Demonstration and Training Centers in TB control, similar to that established in Cebu, will be developed in other areas. It is also proposed to recruit 47 nurses, 15 medical technicians, 15 X-ray technicians, 15 drivers and 17 clerks to fully staff the existing 37 clinics.

i. Mental Health Program It is generally recognized that psychiatric disabilities exist among the population. Most of these disabilities are certainly preventable and not a few can stand appropriate correction.

Susceptibility to personality defects and degenerations that result in incapacities to react satisfactorily and adopt adequately to the realities of environments are found mostly among the age group of the population from 5 to 19 years old. Within this group are those found enrolled in the elementary and secondary schools. The greatest number of mental illness is found among the productive groups ranging from 20 to 40 years of age. This is the time when they are exposed to difficult activities and the physical and emotional stresses of life.

Most of these illness are institutionalized and treated only at the National Mental Hospital. The technical staff of the National Mental Hospital cannot cope with the mental health needs of around 8,000 inmates so that there is a great need for decentralizing this mental health and hygiene services.

Five mental wards will be put up to ease congestion at the National Mental Hospital. Their estimated cost of ₱480,000 is already included in the 1965-66 budget for the Department of Health. These mental wards will be put up in the Baguio General Hospital, North General Hospital, Pototan General Hospital in

Iloilo, Southern Island Hospital in Cebu, and Davao General Hospital. Regions 2, 4 and 7 will be similarly provided with such services within the four-year program.

j. Expansion and Investment of Laboratories Program

The recognition of disease, their treatment, prevention and control requires specific and intensive training and experience. Yet, the present laboratory services being rendered to the public by existing regional and provincial laboratories are certainly below par, if not deficient, due to inadequate equipment. Under these circumstances, it is imperative that additional personnel, working spaces and modern equipment be provided.

The specific targets to be undertaken for the next four years are:

1) Expanded Biologic Production To increase the biologic production to take care of the increase of population and to meet exigencies during epidemics or calamities. To attain this, it is necessary to provide the following:

(a) That the present section of Biologic Production be converted into a Division of Biologic Production with the necessary increase in personnel to provide every production unit with a responsible head and other technical personnel;

(b) Facilities in the form of buildings and laboratory equipment; and

(c) Opportunities for specialized training in each field of biologic production for the professional staff.

2) Expanded Diagnostic and Referral Laboratory services. To make these services available to the greater number of population including those in the rural areas, it is necessary to provide or undertake the following:

(a) Establish additional diagnostic units in the national level, such as:

1 - respiratory bacteriology; 2 - mycology; 3 - diptheria; 4 - T.B. bacteriology.

(b) Organize the three new regional laboratories where there are none (Regions 2, 4 and 7).

(c) Strengthen the five existing regional laboratories (Regions 1, 3, 5, 6 and 7).

3) Intensified Research Activities In order to undertake intensified research activities in different viral, bacterial, and parasitic diseases

to acquire new knowledge for the development of more effective means of prevention, control and treatment, the following should be provided:

(a) Additional attractive positions in the different areas of research with better incentives for qualified personnel;

(b) Specialized training either locally or abroad; and

(c) Establish scientific library to serve as reference.

k. The Quarantine Program The main concern of the Bureau of Quarantine is to prevent the introduction of quanrantinable disease from foreign countries into the Philippines or from one port to another in the Philippines.

The specific objectives or targets for the next four years are:

1) Construction of an office building The construction of this building has been delayed for lack of funds. A big amount of the funds have been appropriated under the Bond Issue, but no release has been authorized.

2) Rehabilitation of quarantine launches The present boarding launches of the Bureau of Quarantine are old, breakdowns are recurrent and

spare parts difficult to procure. It is more economical in the long run to change the engines of the launches and to repair their hulls. Complete rehabilitation of one launch a year shall be undertaken.

3) Equipping of quarantine stations Quarantine stations in other ports and subports have the barest minimum of equipment. Funds shall be made available to furnish them with adequate equipment.

1. The Dental Health Program The dental health program for the four-year period includes the following activities:

   1) Increasing the number of dental units assigned in the field to cope with the increase in population by the full implementation of RA 1891;
   2) Improving the knowledge, skills and attitudes of the dental personnel through in-service training;
   3) Improving the quality of dental services through effective supervision;
   4) Conduction of administrative and epidemiological studies and researches;
   5) Directing emphasis of the dental service on preventive maintenance dental care; and

6) Decentralization of supervision by establishing regional and provincial offices.

m. Disease Intelligence Program The main programs in Disease Intelligence are the following:

1) Statistics program The collection, processing, and publication of data and information in the field of vital statistics, morbidity statistics, hospital statistics, and health statistics.

2) Epidemiological program The conduction of epidemiological investigations and studies on disease problems, especially those occurring in outbreak proportions, which are necessary for the prevention and control of these diseases.

3) Research program The conduction of research studies on specific diseases and health problems through the statistical and epidemiological approaches. These studies are with the support and assistance of the National Economic Council, U.S. Agency for International Development, World Health Organization, National Science Development Board, and other agencies of the Department of Health.

The total cost of the four-year program for the three activities is as follows:

	1967	1968	1969	1970
Statistics	₱189,678	₱390,647	₱541,675	₱654,142
Epidemiology	141,598	173,037	203,702	240,390
Research	112,600	30,000	30,000	50,000
TOTAL	₱443,876	₱593,684	₱775,377	₱944,533

2. Food and Nutrition Program In 1958 the National Science Development Board was created under the Science Law and nutrition found its proper place in the scheme of things. The Institute of Nutrition became an integral part of the National Institute of Science and Technology, one of the two agencies of the NSDB and renamed the Food and Nutrition Research Center. As its name implied the emphasis was shifted from nutrition education to intensified research work in nutrition. The FNRC is now the country's principal research agency on nutrition and at the same time a coordinating agency for food and nutrition programs of public and private organizations.

Quite aware that no single factor in an individual's daily living seriously affects his health more than the food he eats, the present nutrition program is geared mainly towards the improvement of the nutrition status of the vulnerable age groups starting with infants and pre-school children, pregnant women and nursing mothers, school children especially adolescents, and of course the aged. The main target of nutrition education is the mother who holds in her hand the key to the good nutrition of her family and therefore that of her child.

a. Current Situation Using the death rates in the 1-4 year old groups as an index for malnutrition as suggested by the World Health Organization it is very apparent that there is widespread malnutrition in the Philippines. The Philippines' specific death rate for the 1-4 age group is 44.8 per 1,000 live births. The Philippine rate is an appalling 11.2 times that of the United States.

Results of the Food and Nutrition Research Center regional nutrition surveys indicate a shortage in per capita intakes compared with recommended allowances in all food groups except cereals (mostly rice) and other fruits and vegetables (mostly bananas and eggplants). Despite the excess in cereal intake, the total calorie intake per capita is only 88 percent of the recommended allowance. A certain degree of protein malnutrition is also present. The most striking shortage in food intake is that of milk and milk products. It is only 18.5 percent of the recommended amounts in regions outside the metropolitan Manila area. Considering that the allowances had been recommended only for pregnant/nursing mothers and all age groups below 20 years this finding assumes tremendous significance in the study of the development of human resources.

In view of these shortages in food intake, considerable effort is being directed towards the development and nutritional evaluation of food supplements particularly the vegetable protein sources. Coconut protein has been isolated and found to be of high biological value. Prepared baby foods from local materials are being developed and tested for acceptability among infants and toddlers. Ready-to-eat breakfast cereals are being prepared from combination of glutinous rice and peanuts as well as other pulses and nuts. Fruit juices, syrups and concentrates are being prepared from local fruits as possible sources of ascorbic acid and in the hope that these may become as highly acceptable as the popular carbonated beverages.

Strawberry yeast protein has been produced by the Biological Research Center. It is grown in coconut water and is so-called because of its distinct strawberry color and flavor. Its nutritive value in laboratory animals is still under study.

The effect of supplementation with a multi-purpose food formulation is being studied among undernourished children by the staff of the National Children's Hospital. Filled milk, locally produced, was studied as to its suitability for infant feeding by a group of professors from local medical schools. Their report is now under preparation.

Pregnant and nursing mothers from three socio-economic groups are being studied to determine the relation of their nutritional status and the health of their infants up to and including the pre-school age.

Anthropometric measurements of children correlated with their nutritional status is under study by the National Coordinating Center for the study and development of Filipino children and youth.

b. Current and Planned Programs for Nutrition:

1) Rice Enrichment Program To implement, this program will require ₱100,000 to provide 1,000 cereal enrichment feeders to rice mills and "conos" in the country.

2) Sapang Palay Nutrition Project This program includes the organization of community kitchen, nutrition education and surveys. To implement this program, ₱3,978 million will be required.

3) Bayambang Applied Nutrition Project This is a continuing program with main emphasis on the need for better feeding of infants and toddlers to prevent growth retardation, protein-calorie malnutrition, and Vitamin A deficiencies.

c. Problems Encountered While new knowledge and information are already available from researches and studies, such body of knowledge needs to be accepted by the population for it to be of use in changing old patterns of food habits or in reorienting attitudes and practices. These difficulties are further aggravated by regional differences in food habits. There is need for improving methods and approaches to the solution of these problems.

Communicable diseases, high infant and maternal mortality rates, and other similar problems still plague our public health workers. As these problems often have a direct bearing on malnutrition as well as on the socio-economic status of the people it is evident that malnutrition is not an isolated or specific problem that thrives by itself. It affects directly or indirectly the well-being of children and individuals and any progress redounds to the country's benefit in a healthier nation.

d. Recommendations Since improved nutrition is dependent on other factors, a sound nutrition program cannot stand by itself. It must be integrated in other programs in order for it to achieve maximum improvement. The following are the goals of a long-range nutrition program are:

1. Establishment of (a) a pre-school protection program, b) a nation-wide feeding program, (c) a Bureau of

Table XI.11- FINANCIAL OUTLAY FOR PUBLIC HEALTH
(Maintenance and Operations)
FY 1967 TO FY 1970

(In million pesos)

Items	FY 1967	FY 1968	FY 1969	FY 1970	TOTAL
Malaria	12.0	12.6	12.7	8.1	45.4
Schistosomiasis	.5	.6	.7	.8	2.6
Filariasis	.5	.6	.7	.7	2.3
Rural Health Unit	28.4	28.5	28.6	28.6	114.1
Disease Intelligence Center	.5	.5	.6	.6	2.1
Improvement & expansion of laboratories	2.5	3.6	4.3	5.0	15.4
Hospital expansion	56.7	57.3	57.5	58.9	230.3
Environmental sanitation	1.9	1.8	1.6	1.4	6.8
Tuberculosis control	3.2	3.5	3.7	3.9	14.3
Leprosy program	.8	.9	1.0	1.1	3.8
Cancer program	.4	.5	.4	.4	1.8
Mental hygiene	.5	.8	.9	1.5	3.7
Social hygiene	.5	.5	.5	.5	2.0
TOTAL.....	108.4	111.7	113.1	111.7	444.9

Table XI.12 CAPITAL OUTLAY FOR PUBLIC HEALTH
FY 1967- FY 1970
(In million pesos)

	FY 1967	FY 1968	FY 1969	FY 1970	TOTAL
Hospital Expansion	15.9	19.2	22.6	25.9	83.6
PGH Expansion and Improvement Program	2.0	2.5	3.0	3.0	10.5
Expansion and Improvement of Laboratories	.8	.8	.9	.5	3.1
Diagnostic and referral	—	.4	—	—	.4
Construction of Five Psychiatric Wards	.1	.1	.1	.1	.5
TOTAL	18.8	23.1	26.6	29.6	98.1

NOTE:

1. ₱ 17.28 million for construction of beds for medical centers.
2. 16.56 " " " " " " regional hospitals.
3. 27.36 " " " " " in 14 training and teaching hospitals.
4. 22.40 " " " " " for 33 provincial hospitals.
5. .48 " " " " five psychiatric wards.
6. 10.50 " " Expansion and Improvement Program for PGH

₱ 98.08 million

Public Health Nutrition in the Department of Health, with a strong nutrition program, and (d) an effective Food and Drug Administration Agency;

2. Greater utilization of nutritionists in government and private employ (including such groups as commercial and industrial establishments, hotels and restaurants, etc.) and the establishment of a regional training center on nutrition with FAO assistance; and
3. A much greater appropriation for nutrition research.

The expansion of existing programs and the establishment of new ones will (a) control or eradicate serious clinical malnutrition, and (b) prevent malnutrition problems among the population thereby improving existing levels of health.

SOCIAL WELFARE

Social welfare was originally conceived as a humanitarian activity to relieve distress and suffering among the poor, the downtrodden, the aged and the infirm, the handicapped, and the underprivileged classes. Government responsibility for social welfare was therefore defined as the protection of the individual against the economic and social disasters with which he is unable to cope by himself alone. While this concept is still valid today the inability of many individuals and families to meet the new challenges imposed by a changing society in a developing country has created a new responsibility for social welfare, whether under public or private auspices. This function is to help people, whether alone, in groups, or in communities, to attain social and personal satisfaction and independence so that they can maximize their contribution to national development.

The four-year plan for social welfare takes these two responsibilities into account with stress being laid on rehabilitative and preventive programs and with particular concern for child and youth welfare.

General Objectives

The national public social welfare program for FY 1967-1970 aims, among other things:

1. To promote family welfare through the provision of a stable form of financial or material aid and related services to needy persons and families so as to enable them to meet the essentials of daily living when their own resources become insufficient, particularly those families adversely affected by the conditions resulting from urbanization and industrialization;

2. To promote child and youth welfare by helping parents provide adequate care for their children and by improving and strengthening those welfare services which are particularly concerned with unattached children and youth deprived of normal home and family associations and care;

3. To help promote economic growth by providing more opportunities for the vocational rehabilitation of the disabled;

4. To help bring about social growth by creating an awareness of the necessity for change and by helping people to adjust to new ways of living;

5. To provide needed leadership in the field of social welfare; and

6. To complement other organized social services.

Current Situation

Social welfare in the Philippines is a joint responsibility of both the public and private sectors with the government assuming the major burden for family welfare through the provision of public assistance, child and youth welfare services, and the vocational rehabilitation of the physically handicapped. The voluntary welfare organizations on the other hand tend to focus their programs on child and youth welfare, particularly the provision of institutional care to dependent children, and of recreational and cultural facilities and opportunities to the youth.

In a country where the average income is inadequate to meet the basic minimum needs for survival, particularly in the rural areas where about 70 percent of the people live, the burden of helping the people meet their basic needs of food, shelter and clothing at first glance deserves high priority. Nevertheless, a country-wide program of relief distribution is impractical for several reasons, among them, the country's limited resources for such a program. Secondly, it will be much more profitable in the long run if funds are invested in those programs that will help the people become much more economically productive. Since such programs have already been launched in the other sectors, the principal task that remains for social welfare is to provide the necessary facilities and services which will maintain the strength and stability of the family so that it can meet the needs of its members.

This objective can be accomplished through the agencies principally established for social welfare. On the other hand, social welfare services can also be established as secondary functions in other settings to complement other social programs such as health, education, housing, and community development. Social welfare services for instance in medical settings have already been recognized as an essential function. In the city of Manila a school social work program was established to reduce the incidence of dropouts. In the field of housing, welfare services are provided through community centers such as those found in Sapang Palay, the relocation center 75 kilometers northeast of Manila, and Vitas and Punta, two tenement houses in the City of Manila. While these programs are in the beginning stages the possibility of their widespread acceptance and expansion is not remote.

The country's biggest social welfare program is administered and operated by the Social Welfare Administration, the national public welfare agency. Its on-going program is divided into three categories: public assistance, child and youth welfare, and vocational rehabilitation of the handicapped. The program covers, among others, direct services to assist families who have lost their source of support through death or illness, care of childre deprived of normal home and family life; youth development and control of delinquency; care of the aged; training and rehabilitation of the physically handicapped; and assistance to disaster victims, displaced persons, and relocated families. Recently innovated is the program to assist individuals and families to adjust to new ways of living, particularly in urban areas. Only the public assistance program has a country-wide coverage.

An average of one million adults and children are reached b the SWA every year. It operates on an annual budget of about ₱7.6 million which appropriation has scarcely increased in rece years and which is barely 0.003 percent of the total national budget.

An analysis of the program reveals emphasis on disaster relief and consequently in material dole-outs. A great portion of its child welfare services is custodial in nature. There is, therefore, an urgent need for a general improvement in the total welfare program, a situation which can be remedied to a great extent with the help of qualified staff and professional leadership. The first years of the 1960's saw the beginnings of such a trend through the establishment of the UNICEF-assisted Social Services Project which was set up to revitalize the national public child welfare program. The Philippine Government is committed to the integration of the program and staff of the project into the regular budget and structure of the SWA to insure continuity of programs and services.

Family Welfare (formerly Public Assistance)

The present public assistance program covers among other things direct services to assist families which have lost their source of support through death or illness and assistance to disaster victims, displaced persons and relocated families. However, the increasing number of individuals and families that cannot by themselves cope with the conditions brought on by urbanization and industrialization and their own urgent needs can no longer be ignored. This situation plus the palliative nature of emergency relief warrants the adoption of more permanent and lasting solutions through the establishment of preventive and rehabilitative programs. The long term comprehensive goal, therefore, of the public assistance program shall be the promotion of family welfare in a changing society and the title shall be changed from "public assistance" to "family welfare".

Specific Goals

1. To help individuals and families in economic difficulties by intensive casework, cash or material assistance, and the mobilization of self and community resources; and

2. To assist in the rehabilitation and/or adjustment of

individuals and families faced with the problems brought about by increasing urbanization and industrialization.

Proposed programs

1. Aid to Families in Economic Distress (AFED) The SWA is presently experimenting with the AFED to test whether intensive casework with financial assistance is more economical than other forms of aid. The results of this demonstration will provide the basis of a program of rehabilitative and preventive services to needy families and individuals. It is proposed to utilize for this purpose a large portion of the public assistance funds regularly appropriated for emergency dole-outs. This program which was started with foreign aid in the form of technical assistance will be expanded and operated as one of the services provided under the family welfare program particularly in the urban areas. One of the disturbing problems confronting the initiators of this program is the high incidence of pulmonary tuberculosis among those considered eligible.

2. Needy Children's Services This is a program of cash assistance to children and their families to help them stay together in times of financial crisis, thus preventing costly institutionalization. Under this program the average grant of ₱82 per family of 4 or 5 children is normally terminated after an average period of 8 months. This system of rehabilitation is for a shorter period of time and is less costly than institutionalization in the long run. Some 400 children belonging

to one-parent families have already been helped since the start of the program in FY 1963. This program is administered on a demonstration basis by the Office of Child Welfare but is funded with an allocation from the Public Assistance appropriation which, in the past, has been earmarked for children in their own homes. Eventually when social welfare staff in the provincial offices can be trained to carry it out Needy Children's Services should be established as a regular family welfare service and its coverage increased to benefit more children in Manila and elsewhere in the country. For the next four years an average of only 100-120 families with about 450 children will be reached unless this program is increased.

3. Community Welfare Services New services and programs are needed to strengthen and stabilize individuals and families faced with the problems of urbanization and industrialization. The shift from agriculture to industry which is generally accompanied by new environment, different modes of living, changes in values as well as thinking make the community welfare services necessary. For a worker to be active and productive he and the members of his family need to be helped to adjust to the new situation. This can be accomplished through the establishment of community welfare centers which shall provide opportunities to every member of the family to function better in society, to participate as a member of a group for mutually beneficial and

cooperative endeavors, and to participate in the functioning of the community itself.

Three such community welfare centers have already been established: Vitas, Punta, and Sapang Palay. It is planned to establish within the next four years, seven additional community centers in highly urbanized areas.

Although the program was started with UNICEF aid, its integration into the SWA as a regular family welfare service is envisioned. Operational expenses will be shouldered by the national government as part of its family welfare service. The take over of the financing and operation of these centers by local governments or voluntary organizations will be encouraged. For purposes of organizational structure the Community Welfare Services has been located within the Office of Public Assistance. However, since it is a community organization and group work service for adults, youth and children, it eventually should be a more distinct entity within the SWA.

Implementary Measures

1. A redefinition of the functions of public assistance to suit changing times and needs is indicated. There shall be a gradual withdrawal by the government from disaster relief activities as recent events tended to show that private organizations and agencies can very well handle this aspect of welfare activity with or without government subsidy. On the other hand, family welfare services shall be strengthened and expanded.

2. A reallocation of the public assistance fund is imperative so as to provide more funds for rehabilitative and preventive family welfare services rather than disaster relief.

Child Welfare The national public child welfare program is largely custodial in nature with a large concentration of institutions in Manila and suburbs. Majority of the private child-caring institutions are also found in this area. The shift in emphasis from residential care to providing services to the child within a family setting which started in the early 1960's will be carried through to the 1970's. Meanwhile, services for children for whom institutionalization is indicated will be improved and expanded. In the field of youth welfare, services for the youth will be focused on informal education for the youth without adequate schooling and the wise use of leisure time for those in school. Probation and parole services for juvenile delinquents will continue to be improved on a country-wide basis. One of the critical problems reported by observers in the field of child welfare is the present system of housing children in jails while they are waiting court or police action. In some places, as many as 20 juveniles will be detained in jail along with seasoned adult criminals. The only city in the Philippines which has taken action with regard to this prolem is Manila.

Specific Objectives

1. To continue the program to decentralize the government

institutions providing residential care for children through the sale of approximately 35 hectares of the Welfareville property (this excludes 20 hectares presently occupied). The goal is to set up separate and specialized institutions for different types of children requiring residential care. It is also the intention to set up small cottage type units instead of the old congregate institutions. Placement of children in institutions will be resorted to only as a last recourse.

With the proceeds of the sale the following are proposed to be undertaken:

a. Transfer of the Philippine Training School for Boys to an appropriate site and establishment of a more adequate and effective program;

b. Transfer of the Reception and Study Center to Barranca, Quezon City, or other appropriate site;

c. Transfer of the Philippine Training School for Girls to a more appropriate location;

d. Establishment of the Philippine Training Schools for Boys in Cebu, Davao and Dagupan cities;

e. Construction of additional cottages in the Elsie Gaches Village (Home for Handicapped Children);

f. Establishment of Handicapped Children's Centers in Zamboanga and Dagupan cities; and

g. Establishment of Detention Homes in Cebu, Davao, Cagayan de Oro and Angeles cities, and others.

2. To diversify services for the care of children by establishing services to them in their own or substitute homes. This will be known as non-residential care. It is planned to:

   a. Increase the number of children in foster homes by extending programs to other regions;

   b. Establish five more demonstration residence homes for teenaged children discharged from institutions in different parts of the country;

   c. Establish six more demonstration group homes for younger children in different parts of the country;

   d. Convert the Orphanage into a specialized unit for the treatment and rehabilitation of emotionally disturbed children; and

   e. Strengthen the implementation of the licensing and standards program.

3. Step by step to withdraw the Philippine Government from operating custodial institution for normal, dependent children, especially those with families. Since this kind of care is amply covered by voluntary organizations, the goal of government will be to establish specialized institutions for children.

4. To establish youth centers and day-care centers to assist in promoting the rehabilitation and adjustment of youth and families affected by the problems of urbanization and industrialization. Some 34 centers and 20 day-care centers the latter

for younger children will be established in selected parts of the country.

5. To upgrade staff competence through continuous in-service training and the provision, with foreign aid, of study grants for professional education in social work.

6. To create additional positions for child welfare workers at all levels so as to provide a country-wide coverage and to man other vital services such as probation and parole, standards and licensing, adoption and legal guardianship.

Proposed Programs

1. The Program of Dispersal and Decentralization of the Welfareville Institutions At present, the bulk of the SWA's services for children are custodial in nature through the various units of the Welfareville Institutions in Mandaluyong, Rizal. It has been estimated that of approximately 1,200 children actually in custody, 400 of them could be discharged if appropriate casework were undertaken. Furthermore, it is assumed that with careful diagnosis of social staff, the intake and admission process at a Reception Center would dovetail into Needy Children's Services and the Foster Family Care Project, thus diminishing admission. In view of this, therefore, there is need to reorganize the existing institutional services, develop new programs and above all, decentralize and disperse the various units.

The program of dispersal is aimed at eliminating from the institutions the "normal" children and discharging them by placing them in substitute family homes and providing institutional care only to those children who have special problems and needs which can be met and resolved only in a structured setting.

Reorganization of the institutional program involves the development of an institutional program for children with special needs. This means that various special programs have to be set up. For more efficient and effective administration of the institutional program especially in view of past experiences, decentralization of the institutions is proposed. This proposal will entail besides the physical dispersal the establishment of separate management and budgets for each unit, the latter to be each provided with a "line item" budget covering all categories of expenditures. An additional amount of about ₱270 thousand will be needed for the operations of the dispersed institutions. The total estimated cost of construction and sites of the decentralized institutions is about ₱8 million, the details of which are shown as follows:

Phase I
Estimated Construction and Site Cost
for Dispersed Welfareville Units

Total cost for construction and site	₱2,814,500
Reception and study center	398,000
Philippine training school for boys	797,000
Philippine training school for girls	480,000
Residential treatment center for maladjusted children	398,000
Youth residences (6)	420,000
Elsie Gaches Village (balance)	321,500
Plus 15% for site improvement	422,175
T o t a l	₱3,236,675

Phase I-A

Decentralized home for the aged	₱ 450,000
Plus 15% for site improvement	67,500
Total	₱ 517,500

Phase II

Reception and Detention Shelters for Youth Held by Police for Court Disposition

Reception and detention shelter, Cebu City	₱ 100,000
" " " " Davao City	100,000
" " " " Angeles "	85,000
" " " " Cagayan de Oro City	85,000
Regional Philippine training school for boys, Mindanao	512,000
Nursing home for sick aged	350,000
Regional training school for boys, Visayas	512,000
	₱1,744,000
Plus 15% site preparation	261,600
Total	₱2,005,600

Phase III

Regional training school for boys, North Central Luzon	₱ 512,000
Center for handicapped children, Dagupan City	435,000
Center for handicapped children, Zamboanga City	435,000
Reception and detention shelter for youth, Quezon City	100,000
Reception and detention shelter for youth, Iloilo City	85,000
Reception and detention shelter for youth, Tarlac	85,000
	₱1,652,000
Plus 15% for site preparation	247,800
Total	₱1,899,800

Total construction cost	₱6,660,500
Plus 15% site preparations	999,075
Grand total	₱7,659,575

The program has already been started with: (a) the conversion of the present Boys' Home into the Reception and Study Center, and (b) the reorganization of the unit for Mentally Defective Children into the national center for handicapped children now known as the Elsie Gaches Village in Alabang, Rizal.

Further decentralization and dispersal will include: (a) the setting up of group homes in communities, (b) the reorganization of the Philippine Training School for Boys and the Philippine Training School for Girls into cottage-type units in separate locations in suburban Manila with improved facilities for better casework and other rehabilitative services, and (c) the eventual establishment of similar institutions in other parts of the country, thus regionalizing existing institutional services.

2. The Reception and Study Center The Center is the core of the institutional program. In the past, children were placed in the SWA institutions without the benefit of careful and systematic study and observation. Under the new program the Center provides residential care to children (0-16 years old) referred by law enforcement authorities, parents, agencies, or private individuals as well as diagnostic and casework services to children for whom institutionalization is sought while the best possible plan for their welfare such as return to their own homes or to appropriate institutions, agencies or special services for indicated rehabilitation for treatment is determined.

This service is partially supported with UNICEF aid. Gradual total support by the national government within the next four years is proposed.

3. The Elsie Gaches Village for Handicapped Children The Elsie Gaches Village, located in a 16-hectare lot in Barrio Alabang in Rizal Province, is the national residential institution for the care, training and rehabilitation of physically and mentally handicapped children. The lot and buildings need to be repaired and improved and additional cottages need to be constructed to accommodate more children. Initially, the Village will provide program and facilities to serve 100 children; extension of services within the Village compound will be for a maximum lf 120 children. Future plans envision the setting up of similar institutions in other parts of the country. This institution is necessary because at the present time, there is no existing service, either public or private, for handicapped children.

4. Group Home Project Group Homes are envisioned for children who need temporary care outside of institutions. Currently six group homes are in operation with 40 children. There are two types: the "Foster Family" and the "Half-Way" Group Homes.

a. The "Foster Family" group home This is a temporary home for children who will return to their own homes as soon as practically possible. This type of home is for youngsters who are in need of emergency shelter, care or temporary foster home placement; those who present no serious personality problem to hinder attendance at a neighborhood school, or, if adolescent, to work; those who do not require special medical care; and those whose development can be strengthened by close, personal relationship in a substitute family, located in a favorable community setting.

b. The "Half-Way" group home This serves as a transition placement for the older boys and girls from institutions who have no homes to return to. Here they receive assistance during the initial period of readjustment to the community in a setting as close to that of a family home as possible. Currently one youth residence is in operation with 8 adolescent boys in residence.

5. Non-Institutional Services One of the chief weaknesses of the child welfare program in the Philippines is the lack of diversified services for care of children living away from their families. Institutions constitute the chief means of caring for such children, many of whom spend years cut off from the community and normal living. The non-institutional program is an attempt to reduce institutionalization of youngsters. It involves the establishment of services to children in their own or substitute homes. There are two such services:

a. Foster Family Care Project This project provides temporary substitute care for children in family homes either because their own homelife has been disrupted or because circumstances within the family make temporary separation advisable. It is not identical to adoption. Cash payments are made to the foster parent to take care of the child's minimum necessities. The total cost per child per year is estimated at ₱660. At present there are 90 children in foster homes.

Initially financed with UNICEF aid, the government is gradually assuming responsibility.

b. Social service for Hansenite children This project is focused around developing services for children of leprous parents other than custodial care in the institutions both at Tala Leprosarium as well as in Unit B of the Welfareville Institutions. Jointly financed with government funds and foreign aid, it is proposed to integrate this program including its financial cost into the SWA regular budget.

6. Youth Welfare Services The second program to improve public child welfare services is geared towards the preventive aspects of child and youth welfare and envisions the establishment in selected urban areas in different parts of the country, of 35 youth centers and 22 day care centers. Each center will

serve about 60-100 boys and girls, age 7-12 years. The youth centers will provide a diversified program to help promote youth development which will include among others informal educational opportunities and recreational and cultural activities. Children of working mothers will be taken into the day care centers. Although these youth and day care centers will be started with public funds either national or local it is hoped that private organizations will eventually shoulder the major responsibility for these kinds of services.

Implementary Measures

1. A law shall be enacted authorizing the sale of Welfareville the proceeds of which should be used for the decentralization of institution programs, principally the cost of building construction and sites.

2. The functions, staff (75) and financial cost, at about ₱320 thousand annually of the UNICEF-assisted Social Services Project which is spearheading the revitalization of the child welfare program shall be gradually integrated into the SWA.

3. An additional 100-child welfare workers positions at all levels will be established to carry out the new responsibilities and strengthen the existing child welfare services. This number will be in addition to the 75 positions already contained in the UNICEF-assisted Social Services Project, or a total of 175 positions.

Vocational Rehabilitation of the Handicapped

The vocational rehabilitation program for the handicapped which was established in 1954 has to date benefited 14,938 persons, 2,134 of whom are handicapped, the rest are dependents. These persons were served through the National Training Center in Quezon City and the 2 regional training centers, one in Dagupan City and the other in Zamboanga City. As the program is largely financed with funds from the Philippine Charity Sweepstakes it will be necessary to provide a more stable source of financing in order to strengthen its services and expand its coverage.

Special Goal To expand the coverage of the program through the establishment of three additional regional training centers in other parts of the country.

Proposed Program The implementation of the vocational rehabilitation program will be continued in Metropolitan Manila and the 2 regional training centers. However, in order to expand its coverage further it is proposed to establish 3 additional regional training centers: one in Cebu in FY 1968; Naga - FY 1969; and Iloilo - FY 1970, as implementation of Republic Act No. 2615. Construction costs for each center is estimated at ₱200 thousand while the initial operating cost is estimated at ₱100 thousand or a total initial cost of ₱300 thousand per regional training center. Each center will serve a minimum of 300 handicapped persons every year.

Implementary Measures

1. There shall be a gradual integration of the operating expenditures of the regional training centers into the regular national social welfare budget;

2. The prompt release of sweepstakes money for the construction of the additional training centers for the handicapped as provided by R.A. 2615 shall be facilitated so as not to delay the expansion program; and

3. The establishment of additional positions for the operation of the additional regional training centers is also envisioned as well as a continuous staff development program.

Financial Requirement for SWA The overall requirements for the entire SWA operations are as follows:

FY 1967	-	₱ 7.9 million
FY 1968	-	8.7 million
FY 1969	-	9.6 million
FY 1970	-	10.6 million

A large portion of the proposed increase will be used to finance the strengthening and expansion of the national public child welfare programs. The remainder will be used to cover the general integration of the vocational rehabilitation program for the handicapped into the SWA's regular budget.

The capital outlays needed for decentralization of institutions program will be taken from the proceeds of the sale of the Welfareville property. The costs of constructing the 3 regional training centers for the handicapped will be taken from the Philippine Charity Sweepstakes Fund.

Other Programs

Research in Social Work Incentives will be provided to promote research in social work. Depth studies are necessary to planning and program development, particularly those which will extend knowledge and understanding of existing problems, conditions and services in the light of concepts of basic needs and culturally defined standards, operational studies which will demonstrate the more rehabilitative and preventive roles of social work as well as the effectiveness of certain services as experienced by local practitioners will be encouraged and supported. For the following years, emphasis will be given on:

1. An examination of generally accepted principles of social work practices;

2. Studies of crises in Filipino families and how they are met; and

3. Analysis of actual Filipino social work practice in various settings.

Continuance of UNICEF assistance is proposed.

Production of Local Social Work Literature and Technical Material Most of the materials currently used for teaching social work are foreign, many of which are hardly applicable to the Philippine setting because of socio-cultural differences.

On the other hand, it is assumed that there exists a considerable volume of valid materials which, if located, edited, and put into publishable form, can be of use. Efforts will be undertaken to produce fresh materials, and to evaluate and publish such available local materials as are valid and usable.

Envisioned for inclusion in this program will be the publication of textbooks, monograms, case studies and other forms of training and teaching materials. Continuance of UNICEF aid is proposed.

Regulation of the practice of social work In the past, lack of professional leadership exacted a heavy toll in terms of inadequate and inappropriate welfare services. In recent years the establishment of a continuous in-service training program and the establishment with UNICEF aid of study grants in social work for individuals already employed as social workers have helped to remedy the situation. Full implementation of Republic Act 4373 enacted in 1965 regulating the practice of social work is expected to help build up a core of social workers which shall provide the necessary leadership. Through the regulation of the practice of social work the competence of social workers can be ascertained and uniform standards of practice can be established and maintained. To match the increase in professional competence a scale of salaries commensurate to the educational requirements and social work functions to be performed at all levels shall be adopted and enforced.

Definition of roles and responsibilities Many voluntary programs are largely local such as the children's institutions operated by sectarian or religious groups, or the family welfare services such as those found in the archdiocese of Manila. While some services for youth have a national coverage these services are mostly confined to recreational and cultural facilities and opportunities for the youth. By and large voluntary programs exist and operate independently of each other in much the same manner that public and private efforts in social welfare are uncoordinated. While in two or three cases coordination was stated as one of the agency's primary functions this was more observed in theory rather than in practice. Nevertheless, there is need to define the roles of the public and private sectors in social welfare.

To the government belongs the major responsibility of establishing and maintaining a comprehensive program of assistance to meet the economic and social vissicitudes common to man; to the voluntary sector belongs the responsibility of pioneering in the creation of new services and in experimenting with new methods of work and organizational structure. The establishment of community welfare centers and of youth and day care centers fall within this purview.

Reference is made to an agreement recently entered into between the Social Welfare Administration and the City of Manila

Department of Social Welfare outlining their respective division of responsibility in providing social welfare services within the geographical confines of the city. This agreement, among other things, enunciates the general principle that national government will undertake to provide only specialized programs for families, youth and children, and for communities wherever the local city or province can establish its own basic welfare programs. The national government upon determining that minimum standards can be observed will withdraw its basic welfare service. Thereafter, it will provide assistance, consultation, licensing, and accreditation and information to improve the local programs.

Welfare services to complement other social services In social welfare the number of social work staff is never adequate to cope with the number of persons in need of welfare services. One way by which social welfare can increase its reach and be effective as well is by complementing other services as a secondary function. Thus social welfare can and has already started to complement such other services as housing, health, education and community development. This is a trend which must be encouraged.

Re-appraisal of the SWA Reorganization Plan No. 50 which was enacted in 1956 forms the legal framework of the SWA. It is based on the concept of social welfare as care of the abandoned, orphaned and neglected children, of the physically and mentally handicapped, the delinquent and the destitute, and on assistance to individuals and families in times of economic stress and natural disasters or calamities. It was developed when the concept of accelerated national development was just emerging and material aid seemed to be the only solution to widespread poverty and inadequate incomes. Since then there has been a large-scale expansion of government services to the rural areas to accelerate rural development and a better distribution of social amenities such as rural health units, elementary and secondary high schools, and the promotion of cottage industries making material relief less and less urgent. In addition, rapid economic and social changes have taken and are taking place, bringing new pressures and tensions on the people. Two paramount challenges, therefore, confront social welfare: the solution to the handicaps presented by low or inadequate income levels, new environment, problems of adjustment, to name a few; and the promotion of economic and social growth within the framework of national development plans. The SWA continues to search for an effective way of dealing with the social welfare problems of the rural areas. A re-appraisal, therefore, is proposed of the objectives, functions and services of the SWA as well as its organization and structure so that the corresponding changes can be instituted to improve and strengthen its effectiveness as the government's agency for social welfare.

LOW-COST HOUSING

There is an increasing need for the government to construct more public housing and more resettlement projects to counteract the unabated infiltration of squatters and growth of slums, which are undermining the cities and major urban centers. The private sectors cannot and is not expected to build for the lowest income families. Such families are the responsibility of the government. While the public sector is not able to afford housing for all low-income families, a judicious balance must be made between economic housing and social housing in order to forestall serious social upheavals and deterioration that can offset economic gains brought about by other sectors.

Objective The objective of this program is to maximize the participation of the government in meeting the housing needs of the low-income group by utilizing existing PHHC properties and by judicious land acquisition in priority urban areas.

Current Situation The overall investment of the private sector for all types of housing of ₱276 million in 1964 constitutes only 1.5 percent of the GNP. Although this investment is increasing every year, the participation of public housing is very minuscule. Estimate shows that the country should be building 12 new dwelling units for every thousand of population, but the performance of the entire country is estimated at only about two new dwellings every year. Studies show that government-constructed dwellings during the last 5-year period from 1961 to

1965 totalled only 3,334 units or an average of about 667 units per year, which is only about one new dwelling for every 50,000 population. A heavy burden has been placed on the private home builders, and although the government lending institutions are increasing their loans for economic housing, the need of 70 percen of the population, who cannot afford economic housing, cannot be postponed indefinitely.

__Financing__ The 4-year program calls for the undertaking of various projects summarized in the table below. It is envisaged that the PHHC will provide ₱1 million from its own funds every year, while the high-rise housing projects in major urban centers will be financed with congressional appropriations.

__4-Year Low-Cost Housing Program__
__FY 1967-1970__

(In million pesos)

Fiscal Year	No. of Ha.	No. of Units	Approximate Cost: Appropriation	PHHC	Loans	Total
1966-67	130	1,400	-	1.0	7.3	8.3
1967-68	150	3,000	10.0	1.0	14.1	25.1
1968-69	186	4,450	22.0	1.0	15.2	38.2
1969-70	233	5,900	25.0	1.0	22.1	48.1
TOTAL	699	14,150	57.0	4.0	58.7	119.7

__Recommendations__ It is necessary to enact legislations affecting the PHHC as follows:

1. Increase the paid-up capital of the PHHC from its presen ₱7 million to the authorized ₱15 million.

2. Prolong the life of the PHHC for another 25 years since PHHC has only 10 years to exist, too precarious for long-term housing loans.

3. Amend R.A. 3802 which gives full rental credit in the sales of PHHC projects, by making this provision inapplicable to future projects, this law being discouraging to any housing financing scheme.

4. Appropriate the sums stated above in the tabulations for the high-rise housing projects in the cities and major urban areas.

SLUM CLEARANCE AND RESETTLEMENT

A program for the establishment of new towns within which to resettle urban squatters and slum dwellers in such a manner as to generate economic and social growth shall be part of the overall development program.

Current Situation   Since 1946, with the aftermath of war in the Philippines, the migration of thousands upon thousands of untrained, unskilled, near destitute families into the more prosperous urban centers has become a common phenomenom, causing the economic frustration of normal urban living standards.

It is estimated that more than 20 percent of the annual increase in rural population, i.e., more than 200,000 persons, are swelling the urban slum squatter ranks every year. The present proportion of slum-squatter families to established urban citizensy varies from city to city in the Philippines reaching as high as 45 percent in Marawi and Butuan and 30 percent in the City of Cotabato, all in Mindanao. The proportion is equally as high throughout the cities in the Visayas, and recent urban diagnostic surveys reveal that the squatter-slum population of Baguio City in Mountain Province is as high as 27 percent.

The squatter population in Greater Manila is at present approximately 15 percent, their number being in excess of 500,000. Studies by a UN-PHHC Housing Research Team over the past three years reveal that their number has been increasing since 1946 at a rate varying between 12 percent and 15 percent annually. Unless deliberate efforts are made to abate this rate of increase, it is estimated that over the next 7 years, i.e. by 1973, the slum-squatter population of Greater Manila will have increased to 1.3 million persons representing about 30 percent of the total population of the City.

The Philippines is not without experience in the resettlemen of urban slum-squatter families nor in the relocation of economically depressed rural families. None of these projects, however, has shown any success to an appreciable degree. By and large the effective economic relocation of these families was not realized for several reasons among them the lack of skills and training among the manpower available at the time of relocation, the absence of an economic framework such as a regional development plan within which the resettlement plans could have been carried out, and the lack of adequate provision for subsistence and logistical support, or infrastructure needs. Clearly there is need to integrate a program of resettlement within the framework of economic and social development for it to achieve a certain degree of success. It is also apparent that before the government can launch any national program of urban squatter relocation there is need to establish and carry through to a successful conclusion at least one project whose results can be used as the basis of an expanded resettlement program.

Proposed Program It is proposed to create a resettlement agency to promote and encourage the actual rehabilitation and resettlement of urban squatters to develop and coordinate a national relocation program and to conduct pilot studies on the most effective techniques and methods of urban squatter resettlement. It is further proposed that this agency develop Sapang Palay, the resettlement site 72 kilometers northeast of Manila, as the pilot, research and training project for urban resettlement.

The specific objectives of the Sapang Palay Project are:

1. To undertake the social and economic development of Sapang Palay as an experiment and demonstration program through:

    a. The establishment of a small industrial estate based on locally produced raw materials;

b. The establishment of an agricultural cooperative a canning factory;

c. The encouragement of home industries;

d. The establishment of a vocational training and tra skills center; and

e. A training program in community organization and self-help techniques.

2. To carry out such researches and studies that would provide the basis of an expanded resettlement program; and

3. To demonstrate the effective application of modern principles and techniques in urban planning and town constructi as part of planned regional development.

It is envisaged that the first two years of the Project wi be devoted to establishing an economic base for the existing resident families, some 3,000 of them, and for the research tea to carry out their studies, draw their conclusions, and eventua develop a national program of resettlement drawing upon the benefits of the Sapang Palay experience.

Tentative studies show that a total investment of ₱31.5 million will be needed for Sapang Palay over a four-year period subdivided as follows

FY 1966-67	-	₱ 4.8
FY 1967-68	-	6.3
FY 1968-69	-	6.3
FY 1969-70	-	8.3
		₱25.7
PHHC indebtedness	-	5.8
Total	-	₱31.5

Possible sources of funds are as follow:

GOP -------------------	₱ 6.0 million
Commercial loans	
10 years at 6 percent-	13.0 million
Foreign assistance ------	6.7 million
PHHC indebtedness -------	5.8

The project will benefit directly about 3,000 families or about 15,000 persons. Development efforts are expected to generate additional employment opportunities, increased production, and higher incomes.

COMMUNITY DEVELOPMENT

The best agents of economic and social growth are the people themselves. It was in recognition of this principle that the Philippine Community Development Program was launched ten years ago so that the people can be directly involved in the development process. Through the people's participation, it was expected that in the long run a permanent change in the organization, structure, and outlook of the community would be achieved making it possible to promote national progress while at the same time affording the people opportunities for the full utilization of their capacities and the fulfillment of their personal and social aspirations. This principle is as valid today as it was ten years ago and it is for this reason that community development shall be pursued with renewed interest and greater support by the government not only to develop a self-reliant and responsible citizenry but also to continue to develop and promote self-government at the barrio level and thus establish a system of communities or bodies politic capable of solving an increasing number of their own problems through the initiative of the communities and the active participation of the people themselves.

Current Situation The Presidential Assistant on Community Development (PACD), the national community development agency, was established in 1956 and has been in operation for the last 10 years. During this period, the barrio people had been helped to complete almost 30,000 grants-in-aid projects for increased production and income, public improvements, and health and sanitation at a total cost of ₱32 million. The PACD put up ₱11 million of the total while the rest was shouldered jointly by the technical or specialized public agencies and the people themselves. In addition, 850 kilometers of barrio roads were constructed while the people themselves set up and completed 13,000 self-help projects, an indication that the people are becoming aware of their own capacity for independent self-realization.

For the development of a self-reliant citizenry, the community development program promoted and enabled the election of 23,000 barrio councils under Republic Act 2370. The program has also activated and made functional 56 provincial community development councils, 518 municipal community development councils and has trained more than 160,000 barrio council members and local leaders in four-day training institutes.

In order to make these programs possible, PACD trained about 2,400 community development workers for assignment in the barrios. To date, some 9,000 barrios in the Philippines have been reached by community development.

Along with these achievements, several other major objectives have been achieved. Among these are the enactment of the Barrio Council Charter in 1959, the expansion of governmental services to the barrios, the expansion of public works construction projects on a self-help basis, and the increased civilian awareness of the need for social legislation.

Since its start in 1956, the CD program has been a joint effort of the Philippines and U.S. Governments. A total of ₱96.8 million was spent for the program, ₱57.8 of which was defrayed by the Government of the Philippines. Support from the United States Government will phase out in FY 1967 so that sole responsibility for financing the program will devolve on the Philippine Government starting in FY 1968.

Features of the Program

1. The community development program today is in a state of uncertainty and transition. The PACD was created by Executive Order No. 156 of January 6, 1956 and has remained a temporary agency ever since. The attempt through Senate Bill No. 798 which

was passed by both Houses of Congress in the 1965 session to increase the esteem value of community development as a permanent instrument of national economic and social development by converting the PACD into a permanent Philippine Administration on Community Development was, however, vetoed by the President in August 1965. If community development, as a measure of economic policy is to become a reality, the PACD should be given legislative recognition and transformed into a regular and permanent agency of the government. It is only thus that it can be assured of prosecuting a long-range program of rural development.

2. The CD program shall be expanded on a nation-wide scale. Its limited coverage shall be expanded gradually to cover all the barrios in the country within a span of about twelve years or three successive four-year plan periods. This calls for an additional 2,000 barrios to be covered every year by development workers who will be transferred from barrios previously determined as already viable. In selecting the additional barrios, the PACD will have to make a choice between two competing criteria, namely, magnitude of needs and urgency of needs. It would be important that the barrios selected each year are representative and localized in a compact geographical area, so that they can serve the purpose of demonstration and could be developed later into a self-supporting community estate. The assignment of a CD worker in a barrio shall not exceed three years if only to make possible a nation-wide

coverage within at least twelve years. Care shall be taken, however, to assure the continuity of development activities under the auspices of local groups or councils.

3. Community development shall be integrated with the national development program and allocated objective goals in respect of the economic outcome of self-help activities, such as, increased output and income, creation of employment opportunities and community capital formation. Community development, after all, is the process by which the efforts of the people themselves are united with those of the government authorities to improve the economic, social and cultural conditions of communities, to integrate these communities in the life of the nation, and to enable them to contribute fully to national progress. By integrating community development with the national development program and allocating it objective economic goals, the material contribution of community development will be recognized and the field of incentives which can help to increase the economic impact will be widened. It would be a serious error indeed to associate the community development program only with establishing the preconditions for economic development.

One question is often raised as to why the PACD shall be allowed to undertake on a self-help basis rural development projects, such as, agricultural improvement and education and health, although there are specialized government agencies to implement these programs. There are at least five reasons for this:

a. The PACD, unlike other government agencies which specialize in one major aspect of rural development, has a multi-focussed inter-related program which aims at the all-sided development of the barrio community and is concerned, therefore, with the manifold processes directed to inter-related objectives. It would not be difficult to illustrate the relationship between agricultural efficiency and health and education; likewise, increased social welfare is very closely linked with improvements in productive capacity. Consequently, even the most intensive efforts of specialized rural development agencies would likely fail unless an integrated approach is made to the development of rural communities.

b. Community development creates conditions favorable to social change, and therefore facilitates a creative merging of locally expressed needs with national goals. The real advantage of the community development approach to rural development lies in its ability to increase the people's capacity for planning, organizing and applying themselves effectively to the achievement of growth objectives.

c. Community development unites the efforts of the barrio people with those of the government so that the effect of local investment (local initiative and self-help) multiplies the opportunity for a wide variety of specific improvements. It is the joint effort of the barrio community and the government which establishes a two-way communication between local and national institution. While the initiative may stem from either or both these elements, development essentially results from their continued mutual support and complementary functions.

d. Unlike the specialized agencies, community development plays a major role in providing leadership at the local level for planning and carrying out innovations, and spreading the areas of social fermentation so that the current national plan is not held back because the mass or rural population is inert and non-receptive. The key distinction, however, between community development and other specialized agencies lies in the promotion of self-help, which is stimulated by awakening the technical consciousness, so tht the people are aware of the possibilities of helping themselves and of the government sources from which advice and assistance can be obtained.

e. Community development contributes to the building of social overhead and the expansion of the rural infrastructure, thus helping to free the limited resources of the government for major national investments. Where the main burden of development planning rests with the government and resources are small, the relation of costs to benefits is of such obvious importance that the principle need not be dilated upon. This has particular bearing on development planning where choice has to be made between alternative methods having different ratios of capital and labor. It also relates to the unutilized labor investment without involving social cost, that is of employing a large volume of redundant labor in productive self-help projects without diverting it from other uses.

4. The community development program shall lay a relatively greater emphasis on the economic outcome of projects in order to realize optimum benefits from self-help activities as instruments of economic growth.

5. In view of the continued migration from rural to urban communities, and the anticipated rapid urbanization, it is time that the Philippine community development program is progressively extended to economically and socially depressed neighborhood areas of Metropolitan Manila, chartered cities and provincial capitals.

It is widely felt that the uncontrolled growth of squatter colonies and slum conditions of living in urban neighborhoods is due to individual and group apathy, frustration and unhealthy practices. This cannot be effectively changed unless a community structure is built up and a desire for improvement through self-help effort is instilled in the people concerned. Since it is feared, however, that in view of the more pressing priorities elsewhere, national effort in slum improvement and urban employment promotion may have to be deferred, the only course appears to be that of unutilized labor investment in worthwhile urban community self-help improvements.

All this heightens the need for a planned urban community development program with focus on total needs of the community. The broad objective of urban community development projects would be economic and social development through local initiative and self-help effort. But priorities would, however, be indicated in terms of employment promotion, slum improvement, health, education and social organization. In order to achieve a balanced development of the neighborhood community, a multipurpose program will be introduced, viz., Livelihood (increased employment and income); Health (health education and environmental sanitation); Education (prevocational and vocational training, literacy and adult education); Land and Housing (slum improvement and community facilities); Social Organization (youth welfare, women's clubs, civic associations, community centers, and cultural activities). In practice the cooperation of all local government departments must be sought to provide technical assistance, and attempts made to strengthen, support and coordinate the activities of voluntary urban welfare agencies to avoid overlapping of activities.

It would be necessary to integrate urban community development into the national development plan so that its major development and redevelopment projects are financed from government resources. During the first year of the Plan it is proposed to set up one urban community development project in the neighborhood of Metropolitan Manila. It would be a manageable unit containing about 2,500 to 3,000 families, co-extensive with the city boundary, and conforming to existing standards for demonstration. The criteria for the selection of the unit should be:

a. Large influx from rural areas;
b. High frequency of low-income groups;
c. Widespread unemployment and underemployment;
d. Overcrowding and slum conditions of living; and
e. Lack of community services and amenities.

The projects would be duplicated so that in the second year there would be two operating, three in the third year, and four in the fourth. An outlay of ₱300,000 is provided for the plan period (₱250,000 recurring and ₱50,000 non-recurring.)

The problem of entrusting the urban community development program to a suitable government agency has been carefully considered and, in the light of expert opinion, it appears advantageous on technical and economic grounds to entrust the organization and administration of urban projects to the Social Welfare Administration. The welfare program of the SWA has essentially an urban orientation, and there is already a chain of experienced technical staff and trained social workers who are capable of handling efficiently the complex problems of an urban community. The division of functions between PACD (rural development) and SWA (urban development) has become so pronounced that the involvement of the former in urban community program must be judged in terms of efficiency and practicability of enlarging its commitments at a time when it is expected to expand its rural community development program and making the existing rural projects viable.

Proposed Guiding Principles for PACD

1. Immediate and sustained employment objectives can be attained only if the approach to motivate the rural community is more personalistic, i.e., on a face to face relationship with individual families, or with economic sub-groups within the locality.

2. PACD should limit itself to those projects which can be achieved on a self-help basis leaving it to the specialized agencies of the government to undertake and implement their regular programs.

3. Priority during the forthcoming years must be plaeed on increased food production so that the campaign against hunger would give impetus to the campaign against underemployment.

4. Self-help barrio road projects which, in the rural infrastructure improvement program of community development offer the highest employment potential, should be given priority.

5. Cottage and minor industries (traditional type), as subsidiary occupations, should be undertaken by community development agencies as a means of reducing underemployment among the members of the farm-family work force. Cottage industry (modern type) as a principal occupation, should be left to specialized government agencies.

6. Unemployed, out-of-school youth should be organized into voluntary youth work brigades to enable them to acquire training for certain rural jobs and at the same time provide employment on short-term labor-intensive public works projects as a supplement to national development efforts.

7. The organization and administration of urban community development shall be entrusted to the Social Welfare Administration, with increasingly greater collaboration between SWA and PACD at the policy-making and project-planning levels, in view of the inter-relatedness of urban and rural development programs.

8. In the motivation of new forms of collective action for rural employment promotion, community development should

logically lead to the establishment of suitable forms of land-use and labor-contracting cooperatives, especially the organization of joint services and farming operations in settlement estates earmarked for landless agricultural workers.

9. As criteria for eventual self-evaluation, PACD should set for itself the following goals for its projects in the barrios covered by its activities:

a. Five to 10 percent increase in net income from agriculture;

b. Twenty percent increase of livestock;

c. Ten percent increase of cottage industries of the traditional type;

d. Construction of barrio roads as follows: 10 kilometers for the first year; 15 kilometers for the second year; and 20 to 30 kilometers for the third and fourth years of the program period, respectively.

10. Continued emphasis should be given to the promotion in the rural areas of the spirit of nationalism, civic-consciousness and the spirit of cooperation and self-reliance through grass-roots information, assemblies, training and civic action.

Financial Requirements

For FY 1967 it is estimated that some ₱13.7 million will be available from counterpart funds and foreign aid for the program. Henceforth, or starting in FY 1968 the program must be financed from the regular national budget so that it can be continued. The operating expenditures for the program have been estimated at ₱15.2 million for FY 1968, ₱17.53 million for FY 1969, and ₱22.08 million for FY 1970. These estimates include possible foreign aid in commodities. Foreign assistance in the form of technical assistance such as training and research is also envisioned. It is further proposed to continue the third country training program for foreign participants as the Philippines' own contribution to international community development.

Chapter XII

STATISTICAL AND SCIENCE AND TECHNOLOGY DEVELOPMENT PROGRAMS

Statistical Development Statistics on a wide variety of subjects are essential to coordinated national efforts for economic and social development. The statistics collected, to be meaningful and useful, must reflect the nature of the country's economy, its stage of development, and its institutional structure. The statistical system must, therefore, provide up-to-date and reliable data on the size and characteristics of the population and labor force, the level of production and consumption, the supply and demand for goods and services, external trade, and the sources of internal and external finances.

Stressing the urgency of undertaking statistical development as a primary requisite for planning, the Economic Commission for Asia and the Far East also emphasized the need for formulating statistical projects in detail to be included in the national plans for economic and social development. The requirements for statistics in programs of economic and social development have to be based on quantitative information relating to (a) the basic economic and social structure, (b) the current economic and social conditions, and (c) the available resources and their use. In order to set consistent targets for the various sectors of the economy, there is need for well-coordinated data showing the inter-relationships between the inputs of materials, energy and labor and the outputs of goods and services in the various sectors, and among production, incomes, consumption and savings. And to assess progress in the execution of the program and to identify the problems and obstacles standing in the way towards the fulfillment of program goals, the statistical system should be able to provide measures for determining changes in the economic and social conditions.

1. The Philippine Statistical System   The Philippine Statistical System is decentralized with five major operating agencies and a central coordinating authority. The bulk of the statistics collecting activities is done in the following government agencies: (a) the Bureau of the Census and Statistics, which has responsibility for the conduct of all censuses and the collection, summarization, and dissemination of general purpose statistics; (b) the Bureau of Agricultural Economics, which has responsibility for research and production of current information relating to the agricultural sector of the economy; (c) the Department of Economic Research of the Central Bank of the Philippines, which is responsible for the production of data on money and banking and related statistics; (d) the Labor Statistics Service, for data on labor market, wage rates, collective bargaining agreements, and related operational labor information; and (e) the Disease Intelligence Center, which, by virtue of its surveillance and disease intelligence functions, has responsibility for current information on health conditions and services in the country. In addition, there are more than a hundred other units in the various adminis-

trative and regulatory agencies in the government that produce statistics as by-products of administration.

As the central coordinating authority, the Office of Statistical Coordination and Standards (OSCAS) of the National Economic Council serves as the liaison between the various statistical entities comprising the system, develops an overall program of statistical production, allocates statistical activities among the agencies, reviews annual appropriation requests for statistical activities, prescribes statistical standards, reviews and clears reporting forms, and assesses the current situation in the system for necessary remedial measures. Aside from its coordinating functions, the OSCAS is also responsible for the estimation and analysis of the national income and product aggregates and components and for such other activities as developing new techniques and collecting data required in economic planning and analysis.

A consideration of the adequacy of our existing decentralized statistical organization is of utmost importance in carrying out an effective statistical development program. Budget, staff, advisory bodies, training and technical assistance do contribute to the individual strengths of statistical units, however.

There are a number of valid reasons for not centralizing the collection and compilation of statistics, among which are: (a) the fact that many statistics are collected as by-product of the regulatory and administrative functions of government agencies; (b) the considerable advantage in having the collection of statistics closely related to the work of the administrative agencies or offices which can facilitate requests for statistical information and whose heads and senior officials are responsible for the formulation of policies for their respective departments or offices; and (c) the diverse and complex economic and social problems today requiring quantitative information for solution are of such magnitude that a single statistical agency may not be able to collect and process all the data required and make them available to users when needed.

With numerous offices handling statistical data, the statistics collected may not be of the same quality nor of equal efficiency with which they are produced.

Since our government statistical services can not be completely centralized nor decentralized, there is an urgent need for a more effective means of coordinating the activities of statistical agencies if duplication is to be avoided and common standards (concepts, definitions, classification systems and procedures or methodology) are to be insured.

To effect better coordination of the present statistical activities in the government, under the present system of decentralized statistical activities, adequate power as well as top-level support should be provided for the Office of Statistical Coordination and Standards (OSCAS), the central statistical coordinating body of the government, to discharge its functions effectively to bring about the orderly and efficient functioning of government statistical services.

2. The Present State of Statistics An appraisal of existing statistics in the country shows the following deficiencies and inadequacies:

a. Serious Time-Lag Between the Collection and Release of Census and Survey Results Despite the substantial funds allocated for census purposes (about ₱16 million has been appropriated and spent since 1959), the results of the 1960 census of population and housing did not become available till three years after enumeration date while the summary figures for the 1960 agricultural census have yet to be released by the Bureau of the Census and Statistics. Similarly, the complete results of the 1961 economic censuses for commerce and transportation are still not available to date. The time lag in the annual survey of manufactures and that of the Philippine Statistical Survey of Households, both of the same agency, is as serious - averaging from one to two years during the last few years.

b. The Lack of More Detailed Statistics; Almost Complete Absence of Statistics for Smaller Geographical Areas The bulk of statistics currently collected and compiled is mainly of the aggregative type and lacks the necessary detail as well as scope to permit more detailed analysis of the structure and workings of the economy. For example, there is very scanty quantitative information on the quantity and value of production, distribution, and consumption of goods at the commodity level as well as on finer breakdown of production costs. There is likewise very little if not complete lack of statistics on important charateristics of the population and economic activities at the provincial level. The preparation of interindustry tables which will provide a more comprehensive picture of the country's economic structure will require the collection and organization of much more basic information in greater detail than what are currently available.

c. *A Wealth of Data Collected by Government Agencies as By-Products of Administrative and Regulatory Functions Still Remain Unprocessed* There exists in the files and records of government offices substantial useful quantitative information which remains unprocessed for lack of processing facilities, technical know-how, or simply lack of interest on the part of officials concerned. Properly processed and put into more usable form, these data could provide a wealth of information useful in economic planning, economic analysis, and policy decisions.

d. *The Need for More Effective Planning, Programming, and Implementation of Government Statistical Activities* There is still much to be desired regarding the present system of allocating scarce resources for carrying out important statistical activities. Despite substantial increases in budgetary appropriations for major operating statistical agencies of the government, serious gaps in statistical information still exist in such areas as domestic trade, services, transportation, warehousing, and in non-profit institutions. Furthermore, there is still some duplication of efforts in the collection and processing of statistics in such areas as foreign trade, vital statistics, prices, production, and employment in non-agricultural establishments. Experience during these last ten years has shown that no amount of moral suasion as a means of effective coordination would work in bringing about a balanced statistical development unless the coordinating authority is empowered either by legislation or by some other form of executive authorization to review statistical budgets and to allocate funds for statistical activities.

e. The Need for More Flexibility in the Initiation and Funding of Urgently Needed Statistical Inquiries While the regular budget of government agencies usually provides for routine and/or previously programmed statistical activities, there are no provisions for carrying out ad-hoc statistical inquiries to collect in time some badly needed data required for policy formulation.

f. Noted Increase in the Number of Cases of Non-response, Delay or Neglect in Providing Information Increased reluctance on the part of respondents, particularly of industrial establishments and other business elements, in providing desired statistical information has been noted by some government survey agencies. The business and industrial sectors have often complained about too many forms to fill and too many government agencies collecting the same type, if not the same information.

g. The Need for Training and Career Development of Government Statistical Personnel The increasing demand for more and highly specialized type of quantitative information has correspondingly increased the need for training of professional statistical manpower as well as of primary and intermediate level statistical workers. However, the general level of compensation of statistical workers at all levels in government agencies has not substantially changed in the last ten years.

To help foster career development of statistical personnel, there is need for more intensive training, for increased remuneration by keeping the pay of government statistical personnel comparable to that of those in the private sector, and for promoting security of tenure through more frequent civil service qualifying examinations for government statistical workers.

h. The Need for Improved Publication and Public Information Program The common complaint of statistical users is the dearth of statistical publications and the inadequacy of statistical data published by government agencies. All efforts at improving the currency, reliability, and adequacy of government statistics would be least appreciated by statistics end-users if such efforts are not accompanied by a parallel public information program.

3. Overall Objectives

a. The Long-Term Objective The long-term objective is to raise the overall performance of the Philippine Statistical System and, thus, provide at all times a set of integrated statistics useful for socio-economic planning and development.

b. The Short-Term Objectives The program of statistical development activities is intended to attain the following short-term objectives:

1) To carry out a more effective planning, programming, and implementation of the statistical activities of the government and thus bring about a balanced and orderly development of the country's national statistical services;

2) To eliminate within the shortest time possible the backlog in the processing and releasing of results of surveys and related inquiries as well as statistics collected as by-product of the administrative and regulatory functions of government agencies;

3) To increase both the coverage and detail of socio-economic statistics in the country and to organize basic data required in new techniques in economic analysis and planning;

4) To regulate through effective forms clearance and control procedures the collection of information by government agencies from business, industry, government, and the general public;

5) To set up definite budget planning, budget allocation and fund release procedures;

6) To set up a statistical development fund from which to draw funds for carrying out urgently needed statistical activities;

7) To set up an integrated data processing and publication system for all government statistical agencies; and

8) To set up a national statistical training center to meet the training needs of primary and intermediate level personnel, to standardize salaries and promote security of tenure of government statistical workers.

4. Specific Areas of Statistical Development Activities

Keeping the above objectives in mind, the OSCAS prepared a program of statistical development activities after a thorough assessment of the responsibilities and proposed activities of the various government agencies as well as the available resources and the problems and needs of the statistical entities concerned.

A total of 45 statistical projects has been programmed over the four-year period from fiscal year 1966-67 to fiscal year 1969-70 under four main categories: Category A. Improvement of existing statistics (14), Category B. Initiation of new statistical series (17), Category C. Training and career development of statistical personnel (11), and Category D. Effective coordination (3). The detailed breakdown of the programmed projects by fiscal year according to category, priority, and subject matter field is shown in Tables XII.1 and XII.2.

In addition to the program of current statistics development activities, the Statistical Development Program also provides for a census program-preparatory work and conduct of the 1967 economic censuses, the 1970 census of population and housing, and the 1970 census of agriculture.

OF PROJECTS BY PRIORITY AND MAIN CATEGORY

First Priority

Statistical Projects	Agency proposing the activity	Project Cost in Pesos				
		First Year: FY 66-67	Second Year: FY 67-68	Third Year: FY 68-69	Fourth Year: FY 69-70	Total
Improvement of Existing Statistics						
1. Integrated agricultural survey	BAEcon.	165,000	200,000	200,000	200,000	765,000
2. Improvement of construction statistics	NEC	20,000	-	-	-	20,000
3. Capital formation in agriculture	NEC	35,000	-	-	-	35,000
4. Survey of household consumption expenditures and non-profit institutions	NEC	-	50,000	-	-	50,000
5. Improvement of fishery statistics	NEC	50,000	50,000	60,000	-	160,000
6. National food consumption survey	FNRC	-	85,000	87,000	-	172,000
7. Labor market information and manpower supply	LSS	150,000	240,000	-	-	390,000
8. Improvement of price statistics	Bu.of Commerce	50,000	50,000	-	-	100,000
9. Hospital statistics	DIC	15,000	15,000	15,000	15,000	60,000
10. Dental statistics	DIC	10,000	10,000	10,000	10,000	40,000
Sub-Total		495,000	700,000	372,000	225,000	1,792,000
Initiation of New Series						
1. Survey of wholesale & retail trade	BCS	50,000	50,000	50,000	-	150,000
2. Cost of production of non-agricultural industries	NEC	35,000	35,000	-	-	70,000
3. Survey of trade mark-ups	NEC	-	50,000	-	-	50,000
4. Commodity flow survey	NEC	20,000	50,000	-	-	70,000
5. Objective estimate of yield and area	NEC	70,000	70,000	70,000	70,000	280,000
6. National wealth survey (household assets & corporate enterprise asset)	NEC	-	70,000	-	-	70,000

le XII.1 - Listing of Projects by Priority and Main Category: First Priority (cont'd)

Statistical Projects	Agency proposing the activity	Project Cost in Pesos				
		First Year: FY 66-67	Second Year: FY 67-68	Third Year: FY 68-69	Fourth Year: FY 69-70	Total
7. Survey of importers of durable equipment	NEC	12,000	-	-	-	12,000
8. Survey of cottage industries	NEC	-	30,000	-	-	30,000
9. Special (Ad hoc) surveys	NEC	50,000	50,000	50,000	50,000	200,000
10. Industry surveys for Wage Board (logging, plywood & hemp industries	LSS	20,000	20,000	20,000	20,000	80,000
Sub-Total		257,000	425,000	190,000	140,000	1,012,000
Training and Career Development for Statistical Personnel						
1. In-service training of census personnel	BCS	7,500	-	-	-	7,500
2. Institute of statistical operations	BCS	-	50,000	50,000	50,000	150,000
3. Pre-service and in-service training in health statistics	DIC	5,000	5,000	5,000	5,000	20,000
4. Training on input-output and economic analysis	NEC	16,000	5,000	-	-	21,000
5. Training on national income accounts	NEC	8,800	-	-	-	8,800
6. Training on forms control and classification systems	NEC	-	10,000	10,000	-	20,000
7. Training on statistical coordination	NEC	-	5,300	5,000	-	10,300
8. Training on food consumption surveys	FNRC	-	20,000	20,000	-	40,000
Sub-Total		37,300	95,300	90,000	55,000	277,600
Effective Coordination						
1. Improvement of forms control and standard-setting procedures	NEC	11,300	62,900	66,200	-	140,000
2. Improvement of budget review procedures & Food Balance Sheet estimation	NEC	22,500	30,600	32,100	-	85,200

niques in national accounts

Sub-Total 65,800 127,100 133,700 - 326,600

Statistical Projects	Agency proposing the activity	Project Cost in Pesos				
		First Year FY 66-67	Second Year FY 67-68	Third Year FY 68-69	Fourth Year FY 69-70	Total
Improvement of Existing Statistics						
1. Improvement of civil registration	BCS	10,000	10,000	10,000	10,000	40,000
2. Yearbook of Philippine statistics	BCS	40,000	40,000	40,000	40,000	160,000
3. Facts and figures	BCS	10,000	10,000	-	-	20,000
Sub-Total		60,000	60,000	50,000	50,000	220,000
B. Initiation of New Series						
1. Fertility and family limitation survey	BCS	25,000	-	-	-	25,000
2. Survey to determine birth & death ratio in the Philippines	BCS	-	-	-	10,000	10,000
3. Study of sex ratio at birth in Manila and other selected cities	BCS	-	-	28,000	-	28,000
4. Quarterly survey of industrial development, payroll, production & index construction	BCS	-	20,000	-	-	20,000
5. Annual survey of business establishments in Manila	BCS	12,000	12,000	12,000	-	36,000
6. Updating directory of non-agricultural establishments	LSS	30,000	-	-	-	30,000
7. Study of labor program implementation in relation to resource allocation	LSS	5,000	-	-	-	5,000
8. Impact of minimum wage rates on production costs	LSS	5,000	-	-	-	5,000
Sub-Total		77,000	32,000	40,000	10,000	159,000
C. Training & Career Development for Statistical Personnel						
1. Seminar of BAEcon fieldmen & economists	BAEcon	-	30,000	30,000	30,000	90,000
2. WHO fellowship in health statistics for pers.	DIC	9,100	9,100	9,100	9,100	36,400
3. Seminar of Bu. of Commerce personnel on data collection, etc.	BC	50,000	-	-	-	50,000
Sub-Total		59,100	39,100	39,100	39,100	176,400
GRAND TOTAL		196,100	131,100	129,100	99,100	555,400
OVERALL TOTAL FOR PRIORITIES I & II		1,051,200	1,478,500	914,800	519,100	3,963,600

Table XII.2 - LISTING OF PROJECTS BY PRIORITY AND FIELD OF OPERATION

First Priority

Statistical Projects	Field of operation	Project Cost in Pesos				
		First Year: FY 66-67	Second Year: FY 67-68	Third Year: FY 68-69	Fourth Year: FY 69-70	Total
1. Integrated agricultural survey	Agriculture	165,000	200,000	200,000	200,000	765,000
2. Objective estimate of yield and area	-do-	70,000	70,000	70,000	70,000	280,000
3. Capital formation in agriculture	-do-	35,000	-	-	-	35,000
4. Improvement of fishery statistics	-do-	50,000	50,000	50,000	-	160,000
5. Labor market information and manpower supply	Labor	150,000	240,000	-	-	390,000
6. Industry surveys for wage board	-do-	20,000	20,000	20,000	20,000	80,000
7. Survey of wholesale and retail trade	Domestic Trade	50,000	50,000	50,000	-	150,000
8. Survey of trade markups	-do-	-	50,000	-	-	50,000
9. Commodity flow survey	-do-	20,000	50,000	-	-	70,000
10. Survey of importers of durable equipment	-do-	12,000	-	-	-	12,000
11. National food consumption survey	Nutrition	-	85,000	87,000	-	172,000
12. Hospital statistics	Health	15,000	15,000	15,000	15,000	60,000
13. Dental statistics	-do-	10,000	10,000	10,000	10,000	40,000
14. Improvement of price statistics	Prices	50,000	50,000	-	-	100,000
15. Survey of household consumption expenditures and non-profit institutions	Income & Expenditure	-	50,000	-	-	50,000
16. Cost of production in non-agricultural industries	Production Cost	35,000	35,000	-	-	70,000
17. Survey of cottage industries	Cottage Indus.	-	30,000	-	-	30,000
18. Improvement of construction statistics	Const.	20,000	-	-	-	20,000
19. National wealth survey	Nat. Wealth	-	70,000	-	-	70,000
20. Special (Ad hoc) surveys	Misc.	50,000	50,000	50,000	50,000	200,000
21. Institute of statistical operations	Training	-	50,000	50,000	50,000	150,000
22. In-service training of census pers.	-do-	7,500	-	-	-	7,500
23. Pre-service and in-service training on health statistics	-do-	5,000	5,000	5,000	5,000	20,000
24. Training on national income accounts	-do-	8,800	-	-	-	8,800
25. Training on input-output and economic analysis	-do-	16,000	5,000	-	-	21,000

	Operation	FY 66-67	FY 67-68	FY 68-69	FY 69-70	Total
27. Training on statistical coordination	Training	-	5,300	5,000	-	10,300
28. Training on food consumption surveys	-do-	-	20,000	20,000	-	40,000
29. Improvement of forms control and standard setting procedures	Effective Coordination	11,300	62,900	66,200	-	140,400
30. Improvement of budget review procedures and improvement of food balance sheet estimation	-do-	22,500	30,600	32,100	-	85,200
31. Improvement and development of techniques in national accounts	-do-	32,000	33,600	35,400	-	101,000
Total for First Priority		855,100	1,347,400	785,700	420,000	3,408,200
Second Priority						
1. Improvement of civil registration	Vital Statistics	10,000	10,000	10,000	10,000	40,000
2. Study of sex ratio at birth in Manila & other selected cities	-do-	-	-	28,000	-	28,000
3. Survey to determine birth & death ratio	-do-	-	-	-	10,000	10,000
4. Fertility and family limitation survey	-do-	25,000	-	-	-	25,000
5. Annual survey of business establishments in Manila	Domestic Trade	12,000	12,000	12,000	-	36,000
6. Updating directory of non-agricultural establishments	Establishments	30,000	-	-	-	30,000
7. Quarterly survey of industrial employment, payroll, production and index construction	-do-	-	20,000	-	-	20,000
8. Study of labor program implementation in relation to resource allocation	Labor	5,000	-	-	-	5,000
9. Impact of minimum wage on prod. cost	-do-	5,000	-	-	-	5,000
10. Yearbook of Philippine statistics	Publication	40,000	40,000	40,000	40,000	160,000
11. Figures and facts	-do-	10,000	10,000	-	-	20,000
12. Seminar of BAEcon fieldmen & economists	Training	-	30,000	30,000	30,000	90,000
13. WHO fellowship in health statistics for DIC personnel	-do-	9,100	9,100	9,100	9,100	36,400
14. Seminar of Bu. of Commerce personnel on data collection, etc.	-do-	50,000	-	-	-	50,000
Total for Second Priority		196,100	131,100	129,100	99,100	555,400
OVERALL TOTAL FOR PRIORITIES I AND II		1,051,200	1,478,500	914,800	519,100	3,963,600

1967 AND 1970 CENSUS PREPARATION

Statistical Projects	Agency proposing the activity	Project Cost in Pesos				
		First Year: FY 66-67	Second Year: FY 67-68	Third Year: FY 68-69	Fourth Year: FY 69-70	Total
1. 1967 Economic Census	Census	-	1,556,000	1,556,000	1,556,000	4,668,000
2. 1970 Census of Population and Housing, Agriculture and Fisheries	-do-	-	-	-	9,700,000	9,700,000
3. Construction of Maps Using Modern Methods on Myler Plastics	-do-	-	80,000	80,000	90,000	250,000
4. Compilation and Reconstruction of Maps	-do-	80,000	80,000	80,000	80,000	320,000
TOTAL		80,000	1,716,000	1,716,000	11,426,000	14,938,000

The overall cost of the program for current statistics development activities for the four-year period is estimated at P4,063,600 over and above the regular appropriation to be allocated to government agencies for current statistical operations. The program requires an outlay of P1,051,200 for the first year (FY 1966-67), P1,528,500 for the second year (FY 1967-68), P964,800 for the third year (FY 1968-68), and P519,100 for the last year of the program (FY 1969-70).

A summary of cost or breakdown by main category, subject matter field, and priority, is shown for each year in the program in Tables XII.3 and XII.4.

Table XII.3 - SUMMARY OF PROJECT COSTS BY CATEGORY AND PRIORITY
(In pesos)

Main category and priority	Total	FY 66-67	FY 67-68	FY 68-69	FY 69-70
A. Improvement of existing statistics	2,112,000	555,000	810,000	472,000	275,000
1st priority	1,892,000	495,000	750,000	422,000	225,000
2nd priority	220,000	60,000	60,000	50,000	50,000
B. Initiation of new series	1,171,000	334,000	457,000	230,000	150,000
1st priority	1,012,000	257,000	425,000	190,000	140,000
2nd priority	159,000	77,000	32,000	40,000	10,000
C. Training and career development	454,000	96,400	134,400	129,100	94,100
1st priority	277,600	37,300	95,300	90,000	55,000
2nd priority	176,400	59,100	39,100	39,100	39,100

D. Effective coordination	326,600	65,800	127,100	133,700	-
1st priority	326,600	65,800	127,100	133,700	-
2nd priority	-	-	-	-	-
Grand total (Priorities I & II)	4,063,600	1,051,200	1,528,500	964,800	519,100

In order to improve on the quality and timeliness of existing statistics, an estimated amount of ₱2,112,000 will be channeled to projects falling under Category A (Improvement of existing statistics). The initiation of new statistical series primarily intended to fill data gaps in the system will require a total outlay of ₱1,171,000 over four years. The setting up of a national training center and an intensive training program for government statistical workers will involve a total outlay of ₱454,000 over the four-year period while the program for carrying out improved and more effective coordination measures will necessitate an additional ₱326,600 over the program period.

More than half of the programmed amount, i.e., ₱1,240,000 will be alloted to improvement of agricultural statistics. It is planned to replace the current crop and livestock survey of the Bureau of Agricultural Economics with an integrated agricultural survey which will collect crop and livestock statistics regularly and data on prices, farm management practices, cost of production, and other socio-economic characteristics of the agricultural sector on a supplementary basis. This integrated agricultural survey will also provide the vehicle for getting objective

Table XII.4 - SUMMARY OF PROJECT COSTS BY STATISTICAL FIELD AND PRIORITY

(In pesos)

Statistical field & priority	Total	FY 66-67	FY 67-68	FY 68-69	FY 69-70
Agriculture	1,240,000	320,000	320,000	330,000	270,000
1st priority	1,240,000	320,000	320,000	330,000	270,000
2nd priority	-	-	-	-	-
Domestic trade	318,000	94,000	162,000	62,000	-
1st priority	282,000	82,000	150,000	50,000	-
2nd priority	36,000	12,000	12,000	12,000	-
Construction	120,000	20,000	50,000	50,000	-
1st priority	120,000	20,000	50,000	50,000	-
2nd priority	-	-	-	-	-
Labor	480,000	180,000	260,000	20,000	20,000
1st priority	470,000	170,000	260,000	20,000	20,000
2nd priority	10,000	10,000	-	-	-
Health & vital statistics	203,000	60,000	35,000	63,000	45,000
1st priority	100,000	25,000	25,000	25,000	25,000
2nd priority	103,000	35,000	10,000	38,000	20,000
Nutrition	172,000	-	85,000	87,000	-
1st priority	172,000	-	85,000	87,000	-
2nd priority	-	-	-	-	-
Establishments	50,000	30,000	20,000	-	-
1st priority	-	-	-	-	-
2nd priority	50,000	30,000	20,000	-	-
Cottage industries	30,000	-	30,000	-	-
1st priority	30,000	-	30,000	-	-
2nd priority	-	-	-	-	-

Table XII.4 - Summary of Project Costs by Statistical Field & Priority (cont'd.)

Statistical field & priority	Total	FY 66-67	FY 67-68	FY 68-69	FY 69-70
National wealth	70,000	-	70,000	-	-
1st priority	70,000	-	70,000	-	-
2nd priority	-	-	-	-	-
Income & expenditures	50,000	-	50,000	-	-
1st priority	50,000	-	50,000	-	-
2nd priority	-	-	-	-	-
Production costs	70,000	35,000	35,000	-	-
1st priority	70,000	35,000	35,000	-	-
2nd priority	-	-	-	-	-
Prices	100,000	50,000	50,000	-	-
1st priority	100,000	50,000	50,000	-	-
2nd priority	-	-	-	-	-
Miscellaneous (Special Adhoc)	200,000	50,000	50,000	50,000	50,000
1st priority	200,00	50,000	50,000	50,000	50,000
2nd priority	-	-	-	-	-
Publication	180,000	50,000	50,000	40,000	40,000
1st priority	-	-	-	-	-
2nd priority	180,000	50,000	50,000	40,000	40,000
Training	454,000	96,400	134,400	129,100	94,100
1st priority	277,600	37,300	95,300	90,000	55,000
2nd priority	176,400	59,100	39,100	39,100	39,100
Effective coordination	326,600	65,800	127,100	133,700	-
1st priority	326,600	65,800	127,100	133,700	-
2nd priority	-	-	-	-	-
GRAND TOTAL (Priorities I & II)	4,063,600	1,051,200	1,528,500	964,800	519,100

estimates of area and yield.

Five statistical projects, estimated to cost ₱318,000 over four years, is expected to fill up data gaps in the field of domestic trade. The contemplated National Survey of Wholesale and Retail Trade together with the Annual Survey of Business Establishments in Manila will provide useful quantitative information not only on the volume of wholesale and retail trade in the country but also an important characteristics of trade establishments. The Survey on Trade Mark-ups, Commodity Flow Survey, and the Survey of Importers of Durable Equipment are expected to provide detailed information on the distribution of consumption and capital goods on a commodity basis, urgently needed in the preparation of inter-industry tables.

The Labor Market Information and Manpower Supply Program, along with three other projects on wage studies and labor program implementation, will provide current information on not only manpower supply and demand for certain skills but also industry profiles for wage board decisions.

The program calls for an outlay of ₱375,000 for the expansion of statistical activities designed to give our health planners and administrators accurate and up-to-date information on nutritional adequacy of Filipino diets, births and deaths, fertility and family limitation practices, and health services (hospital and dental facilities).

For carrying out four projects in areas where there is complete absence of up-to-date information, namely: national wealth (1), cottage industries (1), non-profit institutions (1), and production costs (1), ₱220,000 has been allocated.

The program sets aside a revolving fund of ₱200,000 over the four-year period for ad-hoc inquiries to provide urgently needed quantitative information for policy making decisions.

5. Other Important Features An orderly and efficient statistical development can come about only through integrated planning, programming, implementation, and evaluation of all statistical activities. In pursuance of this guiding principle, the program calls for setting up a Statistical Development Fund amounting to ₱4,063,600 for funding all programmed projects contemplated under this Statistical Development Program. The Development Fund will be under the administration and technical supervision of the Office of Statistical Coordination and Standards, National Economic Council.

The administration of this fund could be more judiciously and efficiently carried out through stronger budget review and forms clearance and review. It is proposed in this connection that the responsibilities and procedures for such reviewing power by the OSCAS be made more explicit either through legislation or any form of executive order for the proper guidance of all entities concerned.

Finally, in appreciation of the serious problem of time lag in the dissemination of survey results, the program intends to set up the project "Operations Rapid Tabulation" to provide statistical and research agencies of the government with such data processing equipment, devices, and related facilities, including technical assistance from experts and training of local staff, as would be needed to improve on the timeliness of results of inquiries and/or make available in more usable form data which have remained unprocessed for lack of processing facilities or technical know-how. The National Economic Council is to negotiate for a lump sum Reparations Appropriation for the purpose of procuring from Japan the aforementioned equipment and technical assistance on behalf of requesting agencies. Requesting agencies, however, will be required to enter into an agreement with the NEC and to guarantee that the necessary personnel and other operating and maintenance requirements will be provided for in their regular budget.

Science and Technology Development The vital role of science and technology in building a dynamic base for economic and social progress should not be overlooked, particularly in the efforts, to increase agricultural and industrial productivity and to achieve maximum protection from poverty and disease.

It is heartening to note that some degree of success has been attained during the relatively few years that the science and technology development program has been underway under the leadership of the National Science Development Board. It might be said that the foundations for a comprehensive scientific support for nation-building is being carefully laid. The NSDB is making some headway in promoting science consciousness among the people, in encouraging and promoting research activities by Filipino scientists through its assistance program, and in training young men and women in the various disciplines of science through an extensive scholarship program.

It is imperative that this suspicious beginning be pursued with greater intensified efforts and with increased support. It is for this reason that the four-year development program provides for intensive applied research and development studies in agriculture and natural resources, industry and engineering, medical, nutrition and allied sciences, social science and oriented basic researches, atomic energy, scientific manpower development, and science promotion and dissemination of the results of research.

1. Objectives The Science and Technology Program is geared towards the intensification of research and development activities intended to:

a. Expand the rational utilization of the nation's agricultural and natural resources to meet the needs of the expanding population for more and better food, clothing, shelter, and medicine including capital goods, vital raw materials, and sources of power required by intensified industrial activities;

b. Improve the quality of export products;

c. Develop the processing of substantial waste products in agriculture and industry;

d. Provide a reservoir of competent scientists and technologists in the conventional and nuclear sciences;

e. Bring science to the forefront in the war against disease through improved nutrition and health education; and

f. Develop public understanding of and interest in science and technology and disseminate the results of scientific investigations and their applications.

2. The Program The program envisions intensive applied research and development studies in the various disciplines of science as follows:

a. Agriculture and Natural Resources Improvement in quality and quantity of agricultural production in order to meet requirements for direct consumption, raw materials for industry as well as for export is the primary concern of the agricultural research program. Studies on effective and systematic ways of conserving and improving the country's natural resources are programmed. Research projects will be undertaken in crop production; animal production, fishery and natural fauna; forestry and natural flora; mineral and water resources; and agricultural engineering including soil and water conservation and utilization.

b. Industry and Engineering Utilization of the country's abundant raw and waste materials for the production of substitutes for imported raw materials, intermediate and finished products as well as the development of exportable manufactures are envisioned in the industrial and engineering research program.

Applied and developmental studies are programmed in the following areas: primary and metal industries; chemical industries; textile technology; pulp and paper; cottage industries; food technology; water supply; irrigation, flood control and drainage; power and fuels; surveying and mapping; instrumentation, scientific equipment and machinery.

c. Medical, Nutrition, and Allied Sciences In order that concerted action may be taken in the utilization of the nation's wealth of researchers and research material to alleviate suffering from disease, a coordinated program of studies shall be undertaken in the specific areas of infection and communicable diseases; degenerative and metabolic diseases including cancer; blood and cardiovascular diseases; mental health; obstetrics; gynecology and pediatrics; physiology, endocrinology and enzymology; pathology and microbiology; immunology and allergy; pharmacology and therapeutics. Research shall also be undertaken in food research; experimental nutrition; nutrient requirements; clinical nutrition; evaluation of nutritional status, and institution management.

d. Social Science and Oriented Basic Research The program supports studies in population growth, methods of introducing innovations, behavioural and urbanization research, Philippine studies and education for science. Since the very nucleus and foundation of all research lie in the pure and fundamental studies, such investigations as may have eventual application or prospect of the same shall be undertaken on a selective basis in the fields of physics, chemistry, mathematics, and life sciences.

e. Atomic Energy The facilities of the nuclear research reactor of the PAEC shall be fully utilized in studies aimed at solving some problems of agriculture, biology, medicine, industry, and the fundamental science which defy conventional methods and tools of research. Accordingly, the atomic energy program includes isotope production; reactor physics and engineering; agricultural, industrial and bio-medical research using ionizing radiations.

f. Scientific Manpower Development The program envisions the improvement of science teaching in the schools through improved science facilities, better prepared teachers, and the recruitment of talented students to prepare and train for a career in science and technology. Promising science graduates and personnel of research agencies shall be encouraged to pursue advanced or specified studies in fields where there is shortage of trained manpower.

More specifically the program includes activities to identify, train and develop talented students in science, mathematics and technology; measures to improve the quality of science teaching through curriculum improvement, science teacher training and modernization of laboratory equipment; and, activities aimed at acquiring adequate and accurate information on the supply and demands, and utilization of scientific and technological manpower.

g. Science Promotion and Dissemination of Results of Research The documentation and publication activities shall be intensified to support the research program and to provide the proper vehicles for dissemination of the results of the researches of scientists. Emphasis shall be laid on the activities to promote social acceptance for science and the utilization of available results of scientific investigations. The aims of the program shall be achieved through an intensive science information service, science publications, exhibits, seminars, symposia and an enlarged scientific documentation and technical library service.

3. Fiscal Support and Sources of Funds The effectiveness and impact of the scientific research and development program on the national economy and the social well-being of the people depend in great measure on the financial support that may be accorded the program. The government shall absorb most of the cost of the research and development activities planned, leaving a small portion as contribution from the private sector. The present appropriation of the NSDB and its agencies, the NIST and the PAEC, roughly about four-tenths of one percent of

the national budget shall be augmented with appropriations for research given directly to various bureaus and government agencies undertaking research work. All of these funds represent less than one percent of the Gross National Product. The amount generally recommended for activities in science and technology for developing countries is at least one percent of the GNP or about 10 times the present budget for science and technology.

Among the various sources of funds for the program are the following:

a. Funds of the NSDB and its agencies, the National Institute of Science and Technology, the Philippine Atomic Energy Commission, the Philippine Coconut Research Institute, and the Philippine Inventors Commission;

b. Funds contributed by local textile millers corresponding to one percent of their gross sales in compliance with R.A. 4086;

c. Funds from other government agencies earmarked for research and development;

d. Funds appropriated in the annual public works appropriation acts for laboratory buildings and other physical improvement;

e. Foreign assistance in the form of outright grants, export services, fellowships and commodities; and

oject categories	FY 1966-67		FY 1967-68		FY 1968-69		FY 1969-70		GRAND TOTAL	
	Financed by NSDB agencies	Private & other Gov't. agencies	Financed by NSDB agencies	Private & other Gov't. agencies	Financed by NSDB agencies	Private & other Gov't. agencies	Financed by NSDB agencies	Private & other Gov't. agencies	Financed by NSDB agencies	Private & other Gov't. agencies
Research & Development										
a. Agriculture and natural resources	1,500	7,700	1,600	8,000	1,700	8,200	2,000	9,000	6,800	32,900
b. Industry and engineering	2,000	1,400	2,100	2,000	2,200	2,500	2,500	4,000	8,800	9,900
c. Medical, nutrition & allied sciences	600	500	700	700	800	1,000	1,000	1,200	3,100	3,400
d. Social sciences & oriented basic research	500	1,300	600	1,500	700	1,500	1,000	1,800	2,800	6,100
e. Atomic energy	1,200	100	1,300	100	1,400	100	1,600	100	5,500	400
Scientific Manpower Development										
a. Development of basic educ. in sciences	200	50	300	100	400	200	700	300	1,600	650
b. Training of scientific personnel	1,000	150	1,100	200	1,200	400	1,500	500	4,800	1,250
Science Promotion & Dissemination of Information	837	100	900	100	1,100	300	1,500	400	4,337	900
Other Projects										
a. Philippine science community	-	-	4,000	-	4,000	-	2,000	-	10,000	-
b. Phil. atomic research center laboratory	750	-	800	-	-	-	-	-	1,550	-

XII.5 - Financial Requirements (cont'd.)

ject categories	FY 1966-67		FY 1967-68		FY 1968-69		FY 1969-70		GRAND TOTAL	
	Financed by NSDB agencies	Private & other Gov't. agencies	Financed by NSDB agencies	Private & other Gov't. agencies	Financed by NSDB agencies	Private & other Gov't. agencies	Financed by NSDB agencies	Private & other Gov't. agencies	Financed by NSDB agencies	Private & other Gov't. agencies
General Administration	1,811	—	1,900	—	2,300	—	2,500	—	8,511	—
GRAND TOTAL	10,398	11,300	15,300	12,700	15,800	14,200	16,300	17,300	57,798	55,500

SOURCES OF FUNDS

	FY 1966-67	FY 1967-68	FY 1968-69	FY 1969-70	GRAND TOTAL
1. General Appropriations Act	8,148	8,900	10,100	12,300	39,448
2. Fiduciary Fund	500	600	700	1,000	2,800
3. R.A. 4086 (Textile)	1,000	1,000	1,000	1,000	4,000
4. Philippine Science Community[a]	-	4,000	4,000	2,000	10,000
6. Public Works Fund	750	800	-	-	1,550
GRAND TOTAL	10,398	15,300	15,800	16,300	57,798

ther special legislation or thru Public Works Act.

f. Funds to be contributed by the private sector.

The financial support needed to implement the scientific research and development program with sectoral breakdown is shown in Table XII.5.

4. Policy and Action Recommendation Scientific and technological development can be accelerated with the following recommended policies and measures:

a. Maximum encouragement and support should be given to researchers and inventors who have projects that fall within the priority areas of the program;

b. Research projects that are geared towards the solution of the problems in agriculture and industry should be developed and offered for implementation to capable research agencies and supported until completion through the NSDB grants-in-aid program;

c. The needs of scientific and technological institutions for research apparatus and equipment should be accorded priority in the allocation of reparations equipment from Japan;

d. The compensation of scientific and technological personnel of the government who undertake actual research and development work should be increased;

e. Liberal bonuses and awards should be given to scientists and researchers who successfully undertake research investigations with socio-economic impact;

f. A program of upgrading the scientific and research management personnel of government scientific institutions should be developed.

g. Studies should be undertaken for further sources of funds to be used exclusively for scientific research and development to be administered by the NSDB;

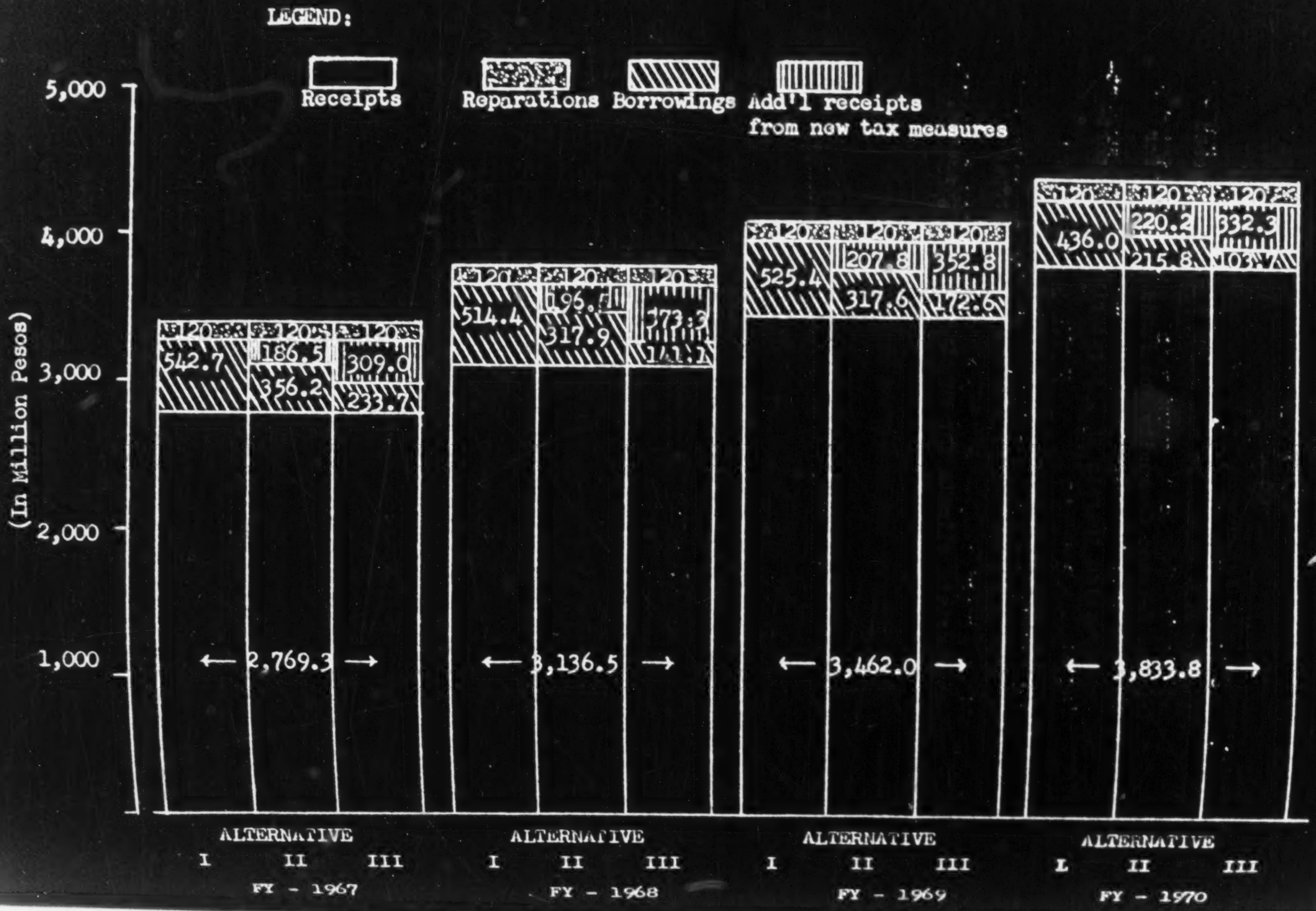
h. Consideration should be given for the early release of funds programmed for the newly created Philippine Coconut Research Institute and the Philippine Inventors Commission so that these offices may be able to undertake researches on cadang-cadang and other coconut problems, the support and encouragement of inventions and the utilization of the same for industrial progress;

i. Accounting and auditing rules and regulations should be relaxed and liberalized in the implementation of research investigations to avoid delays and set-backs in research schedules and prevent costly failures of projects;

j. Coordination of research should be achieved through a system of technical reporting to and evaluation by the NSDB of the conduct of all scientific researches being conducted by government agencies in order to maximize the benefit that should accrue from judicious expenditure of meager government resources for research; and

k. A suitable site should be set aside for the proposed Philippine Science Community and funds provided for the construction therein of laboratories and supporting structures that would eventually comprise a scientific research establishment with the proper and appropriate climate for scholarship and research.

SOURCES OF FINANCING OF THE GOVERNMENT, FY 1967 - FY 1970
(In Million Pesos)



CHAPTER XIII

THE MONETARY AND FISCAL PROGRAM

With the lifting of controls early in 1962, up to the end of 1965, a multiplicity of factors contributed towards both hastening and stunting the growth of the economy. Decontrol brought about windfall to the export sector and the agricultural producers of basic exports, in the form of increased peso income receipts due to the virtual devaluation of the currency which occurred with decontrol.

On the other hand, the prices of imports by the same token increased. Necessarily, the level of prices over the whole economy tended to rise and there developed some pressure from the labor element for increased wages. Because of the devaluation of the peso and the increased price of imports, the industries which were processing imported intermediate raw materials required larger working capital and had to meet increased costs which then had to be compensated by increased prices for their products.

Normally, the economic balance would not have been greatly disturbed if proper adjustments were made to provide the necessary credit facilities to the private industrial sector to cushion the adverse effects of decontrol, to channel the windfall income of the export producing sector to more productive channels, and to accept realistically the inevitable effect of devaluation which is the increase in prices. What happened, however, was that the government decided to discourage the rise in prices and tried to effect this by restricting credit. It was believed that in this manner the demands for goods and services would be restrained.

However, this measure did not have any effect on the money incomes received by the export producing sector which were even augmented with the lifting of the 20 percent dollar retention scheme, and these incomes continued to be spent for the purchase of goods and services which were mainly non-essential or for the construction of buildings, residences, apartment houses, and offices. The restriction on credit only had the effect of paralyzing the industrial enterprises which placed them in difficulties, and caused the curtailment of their output, and in many ways rendering their operation inefficient and expensive.

In the meantime, because of the high demand for imported goods by the financially affluent segment of the population, and because of the facility by which foreign exchange can be bought from the banks and remitted abroad, large scale smuggling began to develop. Likewise, dumping of luxury non-essential items and all manner of techniques to evade taxes began to set in. The entrance of smuggled and dumped goods at comparatively low prices, which competed advantageously with locally produced goods further aggravated the situation of the local industrial enterprises. Beyond that, it deprived the government of much of its income which, together with other losses of income due to corruption and venalities in the government, had the effect of placing the government treasury under terrible strain to meet the current expenditures of government operations.

The government in turn made deliberate attempts to curtail expenditures through fiscal retrenchment, but the impact of such measures fell mostly on growth expenditures, on infrastructure projects that had to be postponed, while, because of political considerations, the operating expenses of the government and other non-essential expenditures increased tremendously. Partly because of the distressed condition of the industries, arising from the undesirable situation stated above, and the workings of political pressures, tax exemption privileges were extended in quite a number of cases, which further eroded the tax base and made the governmental financial condition more precarious. The government thus withdrew its deposits from the commercial banks which further constricted the source of credit of the private sector and put the commercial banks in difficulties, having to rely in some occasions on external short-term loans. The situation was further aggravated by the fact that the government, finding that its resources were not sufficient, resorted to more borrowing which even competed with the private sector in tapping the limited credit resources of the economy.

The review of the past, covered in Part I and above, has furnished valuable information on how to respond to the challenge of the future, particularly, the ensuing difficulties in implementing the government's development program. The restrictive monetary and credit policy, a rather liberal wage policy, together with the expansion in the budgetary expenditures and the developments in the export sector, contributed to a lack of balance between demand and supply and the consequent rise in prices. The deficit in the current account of the balance of payments, similarly reflected the lack of internal balance of the economy.

It may be seen that the many sources of instabilities could be eliminated with the minimum sacrifice of national objectives. Continuing consultations and coordination among the agencies of government and between the public and private sector, can lead to a better timing of monetary and fiscal measures for purposes of economic stability and growth. Policies at the national level can be better harmonized in the various fields on agricultural prices, subsidies, wage-price policies, budgetary policy, monetary and credit policies, etc. Troublesome conflicts in objectives can often be avoided or reduced by a suitable variation in the mixture of policies.

The current trends of demand are likely to impose strains and stresses and may need to be modified in the interest of economic growth and stability. A revival of expansion is a problem that is particularly delicate and the policies that are likely to stimulate the economy are bound to be cautious. Policies of restimulation may restore growth rates at moderately rising levels as plan implementation in the public sector assumes a strategic role and move towards reconciling economic growth with the equilibrium in the balance of payments and internal stability. The Program intends to resolve these problems as early as 1967 and bring about a smoother rythm of expansion over the four-year period.

The Financial Plan The formulation of each sectoral plan has considered the estimated investment in various industries and the different types of capital equipment needed. The financial policies and measures which are hoped to be implemented explain the degree and extent of governmental influence on agricultural and industrial development.

During the post-decontrol period government agencies have influenced and determined to an increasing degree the magnitude and structure of investment by means of policy instruments which directly or indirectly affect productive activities. Industry has in recent years demanded resources which on the aggregate exceeded the total flow of internal resources available for investment. It is the objective of investment policy to stimulate investment demand in the desirable categories of economic activity, but to set limits for those which are not contributory to the desirable growth.

Government financial institutions and other control agencies make day to day decisions as to the kind of demand and whose demand may be curtailed in their financial operations. Through this exercise of discretion a determination can be made by government on the extent by which industry can expand its various types of capital equipment and the particular prices at which they may be permitted to invest. In agriculture the same line of action can influence to a considerable degree the pattern and structure of investments and the likely development towards the attainment of the national objectives.

The financial plan takes the following envisioned forms;

(1) the directive and circulars to administrative bodies and control agencies concerning the qualitative aspects of the investment policy to be pursued;

(2) the quantitative projection over the four-year period indicating the investment requirements in various sectors of the economy postulated on the utilization of idle capacity that is technically and economically feasible under changing conditions;

(3) the specific investment breakdown by industry over the program period; and,

(4) the projection of investment by industries and by type of capital formation.

The qualitative directives and the financial plan projections serve as a frame of reference by which decisions on investment policy may be communicated to agencies concerned with the broad classification of investment by major types of capital equipment. The restriction of official action on investment in a broad sense will leave the agencies of government within limits of the desired flexibility to make decisions.

The financial plan when applied to decision-making as regards the regulation and control of investment and a means of checking construction plans through licensing and credit plans lays down the constraints beyond which investible funds should not exceed the amount available. It is a means by which the government may attempt to exercise the required leadership at regulating the investible resources systematically instead of the previous allocation in which consumption and real estate predominated. The allocation of investible resources to each industry shall have for its objective the broadly defined national goals.

The overall financial plan provides the guidelines for investments from year to year during the program period and the investments are to some extent determined by the decisions and actions of the past. On this score, the plan of financing represents a prognosis, and not a directive which would restrict actions of the investment control authorities.

The degree of government influence over the allocation of financial resources shall differ over various types of investments and over the program period. Regulation of building construction within existing laws are relatively extensive and could be effective throughout most of the program period by administrative discretion. The government's influence in changes in inventories is relatively less but the extent and direction of investment in machinery and equipment lie between two extremes depending on how well the financial system will be coordinated by the monetary authority.

The long-run objective in the financial resource allocation policy is premised on a high rate of investment as a pre-requisite for obtaining a substantial increase in the standard of living.

The government development program will rely heavily on the participation of private business. The growth of private enterprise will in the final analysis depend on the resourcefulness of the agencies of government in plan implementation. They shall participate actively in the financing of the development program particularly in key areas or major projects of the highest priority. An indication of the capabilities of the government financial institutions to mobilize resources for development is shown below:

Financing Investment Requirement
FY 1967 - 1970

	In million pesos	Percent
Investment Requirements	13,622	100.0
Government Financial Institutions	2,648	19.4
Others	10,974	80.6

Table XLII.1 - PROJECTED APPLICATION OF FUNDS TO BE MOBILIZED BY THE GOVERNMENT FINANCIAL INSTITUTIONS

(In million pesos)

Items	1967	1968	1969	1970	Total
fit payments	78.0	80.0	84.0	90.0	332.0
ational expenses	107.0	116.0	118.0	124.0	465.0
nt of domestic obligations	99.0	101.0	93.0	92.0	385.0
nt of foreign obligations	95.0	97.0	84.0	48.0	324.0
tments	619.0	653.0	678.0	698.0	2,648.0
vate:					
Agriculture	78.0	91.0	98.0	110.0	377.0
Industry and commerce	210.0	230.0	255.0	263.0	958.0
Real estate	134.0	132.0	128.0	125.0	519.0
ernment:					
National	50.0	50.0	50.0	50.0	200.0
ocal	12.0	11.0	11.0	11.0	45.0
alary and policy loan	120.0	125.0	126.0	129.0	500.0
iscellaneous	15.0	14.0	10.0	10.0	49.0
ers	32.0	34.0	78.0	182.0	326.0
TOTAL	1,030.0	1,081.0	1,135.0	1,234.0	4,480.0

Between 1967 and 1970 the government financial institutions are expected to mobilize some ₱4,480 million of which ₱2,648 shall be made available for investments. The scheduled collections of maturing obligations are expected to generate about 50 percent of the total while the remainder is to come from prospective income from operations. These resources shall be augmented by foreign-loans and reparations during the program period. The anticipated allocation of funds or uses among the sectors is shown in Table XIV.1.

The Program anticipates that the bulk of the financial requirements of industry shall come from retained earnings, the sale of equities, and private savings. The increasing capital intensity of projects raises the level of peso costs and may bring about the favorable shift in the distribution of financial sources. Private industry may avail of the facilities of the government financial institutions in tapping the sources of foreign capital inflow and capital transfers. The comparative pattern of industrial finance between actual and desirable is shown as follows:

Actual and Desirable Pattern of Industrial Finance
(In percent)

	Actual 1958-1962	Desirable a/
Commercial Banks	19	15
Foreign Loans and Investments	10	23

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a/ World Bank figures.

	Actual 1958-1962	Desirable
Retained Earnings and Domestic Equity Sale	52	38
Government Capital Transfer	19	24

SOURCE: Project Compass, PIA, p. D-I-2

The increased importance of self-financing is not largely derived from its own merits but from the defects of the capital market. The market could not provide at once the large capital sums needed, at one and the same time, by industry. Thus, between 1962 and 1965 it is not unusual that the rate of reinvestment of profits would be somewhat high since government capital transfers were not adequate to supplement their financial needs.

A review of the monetary trends in Chapter II, Part I, has indicated the growth of money supply in relation to the volume of production. A certain level of liquidity to mediate transactions is to be maintained by the economy and provide the climate for a higher level of investment. If the income goals established in the Program are to be attained, money supply need to grow by an estimated ₱2.2 billion. An increase in demand deposits and currency issues over the four-year period will average about 13.0 percent yearly and may raise the total volume of money to about ₱4.9 billion. Assuming the likely growth of production with the anticipated increases in money supply as programmed, the expected price increases may well be sustained within a tolerable range. Monetary expansion within this context will require the exclusion of non-essential demands on the resources in the credit market, a judicious selective credit control scheme with the concommitant expansion in the government debt. The cost of financing can be reduced and maintained within tolerable limits and priorities given to essential industries be adhered to strictly in the allocation of real resources through physical controls and selective credit controls.

The availability of bank credit is a vital factor in investment decision. More effective methods of regulating the volume of bank lending are to be devised and economic planning take the necessary steps to influence the pattern and direction of bank lending, that is, the distribution of bank loans as between the various fields of agriculture, trade and industry within the framework of economic policy.

Credit in the sense of a control of funds the banks put at the disposal of business is one of the foremost object of monetary policy. The media through which the Central Bank can control or influence the credit system hinges partly in the development of a government securities market. This, however, has remained largely on paper in the past, as a result, open market operations as an instrument of credit control has

Table XIII.2 - LOANS GRANTED BY DEVELOPMENT BANKS BY PURPOSE
1962 - 1965

(In million pesos)

Year	Total	Consumption	Commercial	Production	Capital investment	Public utility	Government
1962	231.0	8.3	-/	217.3	2.7	0.2	2.5
Percent distribution	100.0	3.6		94.1	1.1	0.1	1.1
1963	268.3	10.8	-/	247.1	4.1	0.3	6.0
Percent distribution	100.0	4.0		92.1	1.5	0.1	2.2
1964	313.6	29.6	-/	230.5	6.4	0.5	46.6
Percent distribution	100.0	9.4		73.5	2.0	0.2	14.9
1965a/	79.0	3.4	0.2	66.8	2.9	0.2	5.5
Percent distribution	100.0	4.3	0.2	84.6	3.7	0.2	7.0

a/ January to June.

-/ Less than ₱0.1 million.

Source: CB Statistical Bulletin, Vol. XVII, No. 2 (DBP and private development banks).

Table XIII.3 - LOANS GRANTED BY NON-BANK FINANCIAL INSTITUTIONS CLASSIFIED BY PURPOSE
1960 - 1965

(In million pesos)

Year	Total	Consumption	Commercial	Industrial	Agricultural	Real Estate	Others
1960	303.21	230.71	7.22	1.29	2.05	55.30	6.64
Percent distribution	100.0	76.1	2.4	0.4	0.7	18.2	2.2
1961	362.60	253.03	9.49	1.67	2.19	93.39	2.83
Percent distribution	100.0	69.8	2.6	0.5	0.6	25.8	0.7
1962	398.64	282.62	7.67	1.21	6.93	99.60	0.61
Percent distribution	100.0	70.9	1.9	0.3	1.7	25.0	0.2
1963	428.16	284.81	7.04	1.08	8.62	125.99	0.62
Percent distribution	100.0	66.5	1.6	0.3	2.0	29.4	0.1
1964	577.21	348.21	5.46	1.29	4.59	217.24	0.42
Percent distribution	100.0	60.3	1.0	0.2	0.8	37.6	0.1
1965[a]	340.76	199.05	3.19	0.68	4.36	133.23	0.25
Percent distribution	100.0	58.4	0.9	0.1	1.3	39.2	0.1

[a] January to June.

Note: Non-bank financial institutions are ACA, GSIS, SSS, private insurance companies and pawnshops, mutual and building loan associations in the City of Manila.

Source: CB Statistical Bulletin, Vol, XVII, No. 2, p. 127.

Table XLIII.4 - TOTAL CREDITS GRANTED BY OTHER BANKS BY PURPOSE 1958 - 1964

(In million pesos)

Year	Total	Consumption	Commercial	Production	Capital investment	Transfer of assets
1958	2,433.6	162.4	1,087.2	1,103.9	55.7	24.4
Percent distribution	100.0	6.7	44.7	45.3	2.3	1.0
1959	2,600.5	179.2	1,108.3	1,251.9	46.2	14.9
Percent distribution	100.0	6.9	42.6	48.1	1.8	0.6
1960	2,945.2	251.3	1,103.2	1,528.8	47.5	14.4
Percent distribution	100.0	8.5	37.5	51.9	1.6	0.5
1961	4,259.6	266.5	1,490.8	2,407.5	81.0	18.8
Percent distribution	100.0	6.3	35.0	56.5	1.9	0.3
1962	5,078.8	299.2	1,728.5	2,920.0	112.5	18.6
Percent distribution	100.0	5.9	34.0	57.5	2.2	0.4
1963	7,040.2	516.5	2,865.3	3,491.5	142.6	24.3
Percent distribution	100.0	7.3	40.7	49.6	2.0	0.4
1964	7,664.4	496.5	3,267.1	3,742.8	135.7	22.3
Percent distribution	100.0	6.5	42.6	48.8	1.8	0.3

Source: CB Statistical Bulletin, Vol. XVII, No. 1, March 1965.

been relatively immobilized as a weapon of monetary management. The existing organization of the financial system is believed to be adequate to adopt and develop a government bill market which would form the core of open market operations of the Central Bank. The development of an active money market would enhance the management of the monetary system in a way that money shall be made available at all times to meet the needs of agriculture, trade and industry.

The financing of private investment will require the judicious combination of policy measures designed to raise the level of savings. The mobilization of such savings for investment in productive activities, will consequently accelerate capital formation and the development process. Because of the low levels of per capita income and saving, it becomes necessary to increasingly assign to taxation a far more positive role in the process of capital formation and technological change. The propensity to consume is relatively high. At the lower income brackets, savings if at all, are too meager after providing for the pressing needs for subsistence, while at the higher income strata, the traditional lavish living and luxurious consumption has tended likewise to reduce the level of savings. This is further aggravated by the fact that the considerable part of the meager savings is diverted to real estate and other speculative transactions.

Taxation should be used fully to influence the flow and pattern of resources devoted to capital formation. In meritorious cases, government may take a hand in the financing of some projects that are basically private investments undertaken for private profit. With the underdevelopment of a capital market and lavish consumption and speculation prevailing in the economy, it becomes necessary to divert financial resources into productive investments in agriculture and industry. The tax-generated savings can be placed at the disposal of private entrepreneurs through the private banking system. If this is used to retire bank-held debt it will provide adequate elbow room for the extension of non-inflationary credit in support of private investments.

Fiscal Program The government expenditure program over the four-year period is estimated at ₱15,700.1 million. This is broken down into ₱3,509.3 million in capital outlays and ₱12,190.8 million in essential government services. The capital outlays involve the allocation of investible funds for economic overhead projects of the infrastructure types, such as irrigation systems, ports and harbors, highways, school buildings, national buildings, hospitals, power plants, and investment in a few directly productive projects which private enterprise is neither willing nor able to undertake.

The program is drawn with particular emphasis on the support it would give to private enterprises and encourage them to participate more fully in implementing the Program. The quality and coverage of public services for economic and social development shall be in keeping with the objective of enhancing manpower productivity. Part of the government's development effort will be the faithful implementation of the Land Reform Code in order to hasten the desired social transformation as a base for a more dynamic growth of agriculture. Together with the efforts to achieve self-sufficiency in rice and corn and other foodstuffs, the program similarly, places particular emphasis to accelerate and diversify production for domestic consumption and for exports by a systematic use of fixed capital in agriculture. The incorporation of unused natural resources and a definite policy at stimulating exports should increase exportable products.

The adoption and implementation of a well designed infrastructure program shall no doubt increase the average productivity of capital. Sectoral disequilibrium manifested in bottlenecks are the main cause of the decline in productivity, e. g., deficiencies in transport and storage facilities substantially reduce the productivity of agriculture. Similarly, shortages in power adversely affect industry. Less apparent is over-investment which is reflected in excess productive capacity and sometimes simply a counterpart of shortage in financial resource, or raw materials. This is typical of the distressed industries problem for which a system of refinancing is formulated through the government financial institutions. The public sector program of development as drawn will, in a large measure, provide business with a more precise idea of the future markets and advances anticipated to be made in principal sectors of the economy.

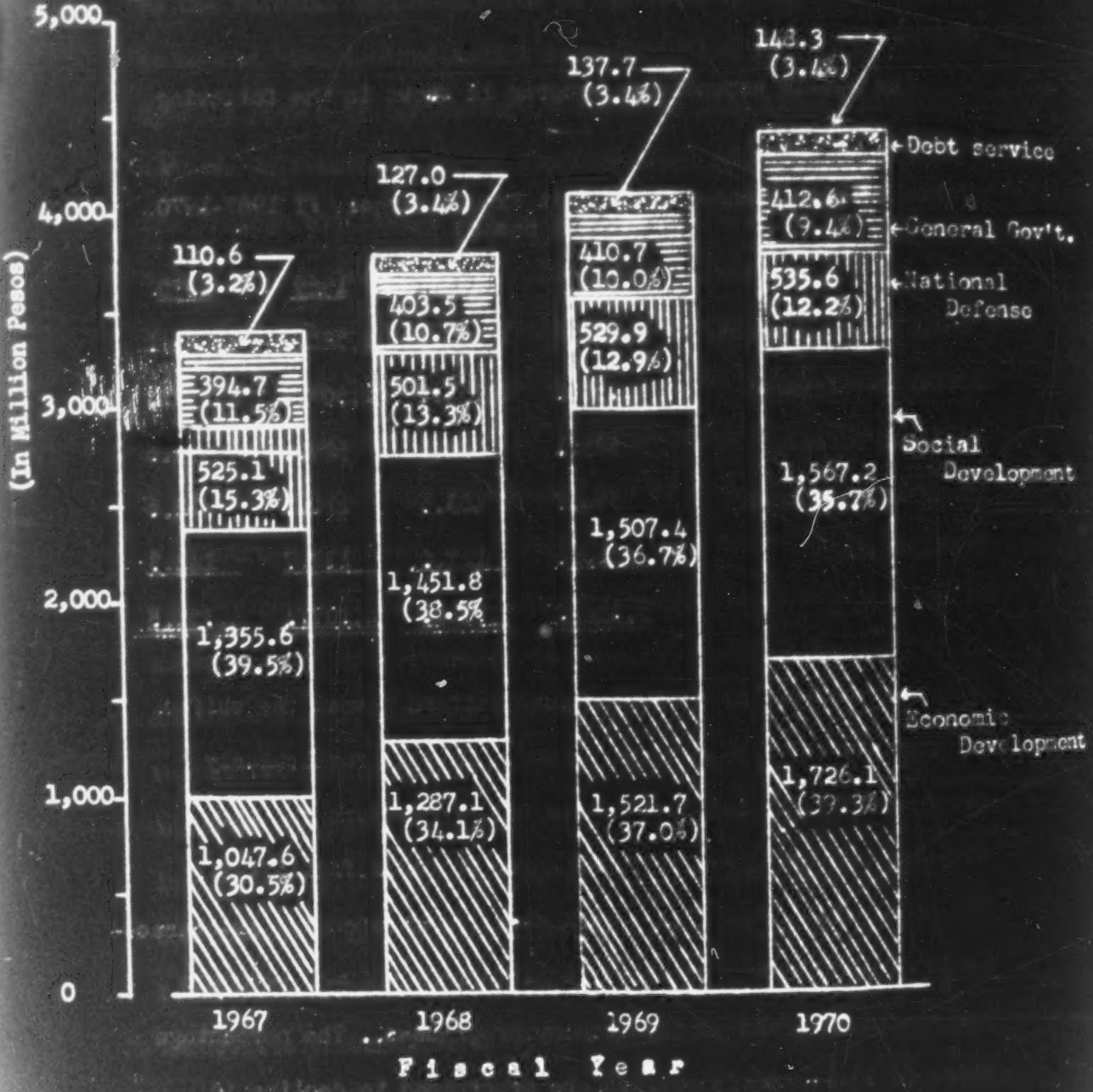
The public expenditure program is shown in the following table:

Table XIII.5- Planned Government Expenditures: FY 1967-1970
(In million pesos)

	1967	1968	1969	1970
Economic Development	1,047.6	1,287.1	1,521.7	1,726.1
Social Development	1,355.6	1,451.8	1,507.4	1,567.2
National Defense	525.1	501.5	529.9	535.6
General Government	394.7	403.5	410.7	412.6
Debt Service	110.6	127.0	137.7	148.3
Total	3,432.0	3,770.9	4,107.4	4,389.8

The changes in the expenditure pattern reveal the shifts of emphasis over the program period. This is particularly clear in the increase investments for agriculture and the sustained upward curve of investments in basic facilities. The prospective change in social development spending is characteric of an expected change of relationship between economic and social elements as the economy progresses. The percentage share of non-economic outlays are programmed to decline in percentage terms because of the need to complete and initiate

GOVERNMENT EXPENDITURES PROGRAM, FY 1967-FY 1970
(Values are in million pesos. Percentages indicate distribution)



key major projects necessary to raise the levels of productivity and improve the standard of living to desired levels. The following shows the percentage distribution of planned government spending:

Percentage Distribution of Government Expenditures: FY 1967-1970

	1967	1968	1969	1970
Economic Development	30.5	34.1	37.0	39.3
Social Development	39.5	38.5	36.7	35.7
National Defense	15.3	13.3	12.9	12.2
General Government	11.5	10.7	10.0	9.4
Debt Service	3.2	3.4	3.4	3.4

Economic Development The fiscal plan through its program of expenditures explain the substantial and significant role of government in the development of agriculture. The production targets provide the framework for guiding the public investment program. The operational plan allocating the necessary resources to facilitate the achievement of production targets shall be worked out in sufficient detail for later decision in implementation.

The problem of raising agricultural production is not just a matter of improving and increasing the facilities of agriculture; it is likewise concerned with the effective utilization of resources that are heavily influenced by complex institutional factors affecting the incentives of farmers.

A significant break from past performance in agriculture is anticipated if the planned rates of growth are attained. This is feasible if the resources available for expanding agricultural output shall be enlarged and the institutional difficulties which weaken the incentive of farmers to raise output is lessened.

The planned increases in food production are moderately greater than the expected increase in population. Food production target takes into consideration the rising level of per capita income considering the income elasticity of demand for food. Moreover, the planned targets for food are influenced by the desire to reduce the foreign exchange expenditure on imports and envisages reduced dependence on food imports over the program period.

In the recommended policies for the implementation of the agricultural program, government concerns itself not only with the increasing level of public investment and other development expenditures in agriculture but also with measures to reform the institutional structure and strengthen the incentive to farmers and utilize the more modern methods of production.

Concrete steps are provided in the implementation of the Land Reform Code. With the administrative machinery already established, land reform areas proclaimed, and the Land Bank set up, sufficient funds shall be provided within the framework of a judicious fiscal policy to vigorously pursue the program of institutional reform.

Of the total investment a large portion is devoted to major irrigation works, and to strengthen the institutions and organizations needed for servicing modern agriculture such as extension, research and marketing services.

The share of the public sector in the total agricultural investment is estimated at ₱488.2 million over the program period[a]. This is generally allocated in activities where private investment can scarcely undertake but which are critical for agricultural growth. Thus, the public sector program provide outlays for major irrigation works, soil conservation, extension service, and community development, agricultural research and agricultural credit. Large shares of public outlays are placed in the government's program of development of either agricultural infrastructure and ancillary services.

Table XII.6 - Planned Public Expenditures for Agricultural Development: FY 1967 - 1970

(In million pesos)

	Flood control and drainage	Irrigation	Crop production, animal husbandry, forestry and fisheries	Total
1967	45.8	31.2	34.0	111.0
1968	47.4	36.9	38.0	122.3
1969	57.3	42.3	40.0	139.6
1970	53.6	15.7	46.0	115.3
Total	204.1	126.1	158.0	488.2

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[a] Inclusive of agricultural infrastructure for irrigation and flood control.

To raise the total agricultural output planned increases in area under cultivation is proposed in land development and resettlement schemes. The additional output from areas that may be brought under cultivation is estimated at 1,414.0 thousand metric tons during the program period. The advantage of a policy of land development is that modern methods of production can readily be introduced into the new areas.

Some difficulties in the implementation of the agricultural development program arise from the existing land tenure system and from the cultural factors associated with it. Agricultural extension services and rural self-help movements shall exert the maximum efforts at loosening the hold of tradition on agricultural and on rural life. Land reform shall be given a new meaning in the program. To ensure its success political interference is to be reduced to a minimum. Financial resources shall be adequately provided together with the administrative personnel, cadastral surveys and land ownership documentation expedited. Other related measures for land reform call for the expansion and improvement of agricultural extension services, the network of community development organization, the formation of farmers associations and the educational role of the cooperative movement are given their proper emphasis in the public investment program.

To stimulate investment and the production efforts of farmers the program adopts a price policy and price incentive system designed to ensure an adequate farm income and at the same time minimize the adverse effects of sudden fluctuations in farm prices. Measures recommended in the program include subsidies and taxation to influence the pattern and structure of investment and production.

The bulk of the capital outlays in the fiscal program is for infrastructure. This is in keeping with the objective to provide for the essential needs in all sectors of the economy and eliminate existing bottlenecks that are likely to be a drag on the economy. The economic and social overhead projects are those that will have the greatest possible impact on the private sector. Thus, in the formulation of the Program, for transport and communications careful consideration is given to areas where the capabilities of the private sector shall be enhanced. The emphasis on feeder roads, the construction of highway trunklines and the improvement and expansion of the railways is premised on the fact that they are vital for agricultural growth. The fairly large investment in basic facilities underscores the need to meet the anticipated requirements of newly established basic industries and the expansion of the existing ones. The projects proposed to be pursued in the Program are deemed to be essential to the Philippine development effort and command high priorities in the particular sector or area. The transport program takes into account the location of economic activity and the volume of production of goods with estimated total tonnage to be hauled over the average distance they are to be moved. These constitute the determinants of immediate demand for transport. Unfortunately, research in the field has not been up-dated. In the absence of the studies, the demand projection assumes that the volume of transport shall grow with greater intensity than income.

The Philippine National Railways is to be brought to the 1954 nominal capacity. The average carrying passenger capacity is to increase by about 6 percent annually over the 1965 level while the freight carrying capacity is programmed to expand by about 5 percent yearly.

The nominal transport capacity of the Philippine National Railways is determined by the nature of its availabilities of locomotives and rolling stock, traction power, number and capacity of goods and truck. Its real or effective capacity, however, depends upon the technical characteristics such as the layout, rails, etc., of the lines. Report on these technical characteristics have been unfavorable and the efficiency of the equipment is below standard. The decrease in effective capacity is mainly due to the inadequate replacement of rolling stock and deficient maintenance of the permanent stock.

The growth of energy consumption in the program is determined by the rising real income and by the changes in the structure of production. Much of the energy consumed in the economy reaches the end-user directly and is considered a consumer product. The energy used by the households is substantial but the greater share is absorbed by production, processing, and other forms of industrial activity. A load growth of 12 percent annually is programmed for power with the government outlay estimated at ₱289.0 million, generating an additional of 1.1 million kilowatts over the four-year period.

The important role of highways, roads, portworks, and airports and air navigation facilities play in the development process cannot be over emphasized. In the domestic trade alone the shortage in the market supply in several remote areas which is reflected in high prices could be traced largely to the absence or inadequacy of transport and port facilities. The four-year program seeks to provide ₱1,512.4 million for transport and port facilities of which ₱1,258.0 million is for the construction of more roads and improvement of existing ones; ₱122.4 million for expansion of ports; and ₱132.0 million for reconditioning of airports.

The Government Telephone System's unfilled connection orders of about 65,000 telephone units indicates the acute need for economical and yet fast communication facilities. This number represents about 45 percent of the total existing units. Of the unfilled orders, the number for households is substantial but the greater share is for industrial and commercial establishments. It is programmed that the government will invest ₱817 million for the four-year period in order to meet at least one third of the backlog of demand.

To do away with the ₱3.5 million rental payment of the government office spaces, the program shall facilitate the completion of government buildings under construction and the erection of new ones at an estimated cost of ₱62.7 million over the next four years.

Social Development · The fiscal plan recognizes the importance of investments in human resources and equally lays particular emphasis in the re-orientation of the social and moral values, higher intellectual development and improvement in manpower skills. Accordingly, increased national output from the expanding social services like education, health, technical training, labor and other direct community effort is envisioned in the program.

The education program is designed to provide for the expansion and improvement of conventional education and a wider program of social education together with its adult literacy campaign.

The outlays for education are indicative of the immensity of the task involved to bring about the desired social change. After a thorough re-examination and appraisal of the educational system the deficiencies in the system are to be speedily removed. Education shall be oriented to the needs of economic development and geared to national goals. The attitudes of people to education, the pattern and standard, are factors which complicate the program of development. These have to be corrected if education is to serve a vital purpose of promoting national integration and social cohesion with broadmindedness and tolerance. At the same time, education has the objective of insuring that the moral values are not side-tracked in the development process of achieving material prosperity.

All children seeking admission shall be accommodated. A total of 25.8 thousand classes are to be provided for over the four year period with an estimated outlay of ₱121.4 million. Additional classrooms programmed to be constructed will reach 52,561 at an estimated cost of ₱326.4 million. Emergency session plans shall be eliminated. A textbook production program shall provide a complete set of textbooks for every school pupil.

The secondary education program shall provide likewise a wide base for a major source of trained manpower. The growth of secondary schools and expansion of the instructional staff shall contribute actively towards the economic development of the country. To raise the standards and quality of education, the instructor-student ratio shall be improved to approach the ideal of 1:15 in normal schools. Adult education shall be expanded and pursued with renewed vigor. With the active participation of civic organizations,the augmenting national, provincial, city, municipal and barrio funds, the increasing illiteracy shall be reduced substantially at the end of the program period.

The housing program in the public sector as a part of planned development has failed to keep pace with urbanization following the growth of industries. The resources of government which has to deal with this problem are relatively inadequate. Consequently the programmed outlays are concentrated mainly on housing for the low-income group and industrial workers as a means to raise the level of efficiency and the productivity of the workers.

The program proposes to provide 14,150 dwellings at a cost of about ₱119.7 million. The housing program shall be coordinated closely with the private sector housing activity. Private initiative shall be stimulated to take over as much as possible the task of building more houses while the government shall undertake various amounts of house-building to meet the needs of the defined types of low-income families.

Outlays for slum clearance and the acquisition of land and its development are likewise provided for in the program. Local government planning is encouraged not only to ensure the optimum use of land but also to set the minimum standard for civic amenities in the implementation of a program designed to strengthen local administration in undertaking development responsibilities.

The expansion and development of specialized social services under rapidly changing needs and conditions played by the civic organizations is fully encouraged. Financial and technical assistance are envisioned to be extended to those voluntary organizations and their social welfare programs dovetailed as far as possible into the national plan. The program of welfare extension services in rural centers shall be bolstered by government full-time trained workers to attend to the special needs of women and children. A relatively comprehensive program shall cover child welfare, women's welfare, youth welfare, community development and training all geared and designed in the perspective of developing human resources over the long-run.

The prime objective of the public health program is the improvement in the basic health services. The new medical discoveries together with the improvement in the organization of health services shall enable the health worker to turn a large part of their attention to providing integrated curative and preventive services in health centers and by the rural mobile field units. These services shall be expanded and strengthened to cover a wider area. The specialized institutions, such as, leprosy settlements, rehabilitation units, mental institutions, and others shall be extended adequate financial assistance to enable them to provide adequate treatment for their patients and prepare them for a return to normal life.

The expenditures for public health are programmed to increase moderately over the program period. The program envisions the establishment of a regional system of hospitals in order to make full use of skills and equipment. Regionalization aims to adjust hospital facilities to local geography and population groups by concentrating specialized services in the central or regional hospital. The coordination of the services within the region shall be through a network of intermediate and local hospitals with the cooperation of health centers and general practitioners in the area.

The Income of Government The income and expenditure of the government are shown in Tables XIII. 7 & XIII.8.

The scheme of financing the government plans and programs is calculated to be along lines of sound public finance. As far as feasible, non-inflationary finance will be resorted to. The bulk of resources will come from the existing revenues which are expected to rise as a result of programmed improvement in tax administration. The general tone of government spending shall be greater economy and efficiency in order to generate greater savings for capital formation purposes. The re-organization of the whole governmental machinery is expected to yield a surplus that will augment its pool of investible funds.

The target for public investment shall average ₱877.3 annually or 22.4 percent of the total government expenditures over the four-year period. Should there be a shortfall in government income, the governmental funding capability shall be augmented through borrowings. R. A. No. 1000 which provides the ceiling for domestic borrowings has a remaining balance of a little above ₱50 million and R. A. No. 16 providing for the foreign borrowing

Table XIII.7 - GOVERNMENT RECEIPTS AND EXPENDITURES FY 1967 TO FY 1970

(In million pesos)

Items	1967	1968	1969	1970
Expenditures (national & local governments)	3,432.0	3,770.9	4,107.4	4,389.8
Current operating	2,455.7	2,773.5	3,057.3	3,380.5
Debt servicing	110.6	127.0	137.7	148.3
Capital outlays	865.7	870.4	912.2	861.0
National Government	2,871.5	3,174.3	3,474.7	3,721.0
Current	1,997.1	2,285.5	2,539.9	2,833.7
Debt servicing	102.0	117.7	127.7	137.7
Capital outlay	772.4	771.1	806.9	749.6
Local Government[a]	560.5	596.6	632.7	668.8
Current	458.6	488.0	517.4	546.8
Debt servicing	8.6	9.3	10.0	10.6
Capital outlay	93.3	99.3	105.3	111.4
Income (national & local gov'ts.)	2,769.3	3,136.5	3,462.0	3,833.8
National Government[b]	2,274.4	2,607.3	2,899.1	3,237.9
General fund	1,876.2	2,115.0	2,383.0	2,686.0
Special fund	368.2	455.7	476.5	509.4
Fiduciary fund	15.4	16.1	16.6	17.0
Reparations funs	14.6	20.5	23.0	25.5
Local Government	494.9	529.2	562.9	595.9
Apportionment from national government	304.2	317.3	357.4	402.9
Others	190.7	211.9	205.5	193.0
Excess of expenditures over income	662.7	634.4	645.4	556.0

[a] Estimated on basis of data for FY 1961-1964.

[b] From Budget Message.

ceiling has already been exhausted. Those two laws are to be amended to raise both domestic and foreign borrowing ceiling in line with funding needs of the Program.

Borrowings from the private sector shall as far as possible come from real savings. This will require the development of a capital market that will furnish investment funds not only to the private business but also to government. A competitive capital market shall be developed within the program period largely supported by public borrowing. This is an area problem where government is expected to act judiciously and prudently in view of the existing limitations. The program of government spending takes into consideration the integration and coordination of debt management policy with monetary, credit, fiscal and foreign exchange policies.

The financial gap in the government's capital program is partly to be financed by foreign loans from international financial institutions and reparations. Some ₱160 million will be availed of to finance properly studied projects of high government priority which are essential to Philippine development effort. In considering the projects to be funded the public investment program takes into consideration the proper interrelationship of the projects with private sector. The objectives is to set forth clearly the directions as to the nature and timing of future projects that must be generated in the long-run in order to maximize the benefits.

The Program stresses the need of project evaluation and assessment of interrelationships on a continuing basis to accelerate economic development in the overall.

As a second alternative, the financial gap may be met by reasonably restructuring the tax to reach a level of at least 20 percent of the national income instead of domestic borrowing. This is shown in Table XIII.8 The lesser evil is higher taxes than inflation in a development setting. Moreover, extreme income inequalities is neither economically nor politically desirable.

Tax Reforms Tax recommendations of the program shall penalize the diversion of savings into land, buildings, inventories and similar investments held for speculative gains or prestige purposes. Real property tax roles must be updated and revised to conform with existing prices.

Tax incentives and other forms of tax concessions which are converted into tax loopholes should be reexamined. Some taxpayers gain tax benefits by meeting formal requirements of concession provisions without carrying the underlying intent of the law. Such defects should be the subject of remedial legislation.

Structural and incentive devices take the form of:

(a) Allowance of extensive carry-over of net business losses as offsets to net business gains;

(b) Accelerated depreciation; and,

(c) Preferential rates for reinvested business profits or alternatively additional taxes on profits declared as dividends to discourage "loss" by transfer abroad or dissipation into consumption.

Table XIII.8 - GOVERNMENT RECEIPTS AND EXPENDITURES
FY 1967 TO FY 1970
(Cont'd. from Table XIII.7)
(In million pesos)

Items	1967	1968	1969	1970
Financing (Alternative I)				
Reparations c/	120.0	120.0	120.0	120.0
Borrowings c/	542.7	514.4	525.4	436.0
National government	497.1	467.0	475.8	383.1
Sale of bonds a/	190.0	150.0	130.0	130.0
Other domestic borrowings	267.1	277.0	305.8	213.1
Foreign loans	40.0	40.0	40.0	40.0
Local governments d/	45.6	47.4	49.6	52.9
Financing (Alternative II)				
Additional revenue from new tax measures e/	186.5	196.5	207.8	220.2
Reparations c/	120.0	120.0	120.0	120.0
Borrowings	356.2	317.9	317.6	215.8
National government	310.6	270.5	268.0	162.9
Sale of bonds	190.0	150.0	130.0	100.0
Other domestic borrowings	80.6	80.5	98.0	22.9
Foreign loans	40.0	40.0	40.0	40.0
Local governments d/	45.6	47.4	49.6	52.9
Financing (Alternative III)				
Additional revenue from new tax measures f/	309.0	373.3	352.8	332.3
Reparations	120.0	120.0	120.0	120.0
Borrowings	233.7	141.1	172.6	103.7
National government b/	188.1	93.7	123.0	50.8
Sale of bonds	95.2	34.5	53.4	6.9
Other domestic borrowings	52.9	19.2	29.6	3.9
Foreign loans	40.0	40.0	40.0	40.0
Local government d/	45.6	47.4	49.6	52.9

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a/ Estimated on basis of data for FY 1961-1964. c/ S-E Prog. FY '67-70, NEC, Part 1, p.1
b/ Divided among sales of bonds, other domestic borrowings, and foreign loans by the fol. respective percentages: 55.8%, 31.0%, 13.2%. d/ Includes grants, gifts, and public debts. e/ Receipts from add. tax measures are estimated at 1% of national income. f/ Assumed at progressive ratios to national income of 1.2% for FY '67-68 and 1.3% for FY '69 and FY '70.

Tax policy as an instrument of capital formation for economic development should combine high rates of taxation in general with preferential treatment for categories of desired development activity (penalty taxes on undesirable economic activities).

To implement such a policy requires careful economic analysis and planning, competent administration, skillful structuring of taxes and ruling out political favoritism. Technical assistance in public finance should ascertain not only the combination of tax policies that might best serve the interests of economic development in the light of the country's ethical preferences but also how policies should be modified in translating them into tax measures in operational terms.

It is necessary to institute fiscal reforms to allow and permit a more efficient resource allocation and improve altogether the investment climate.

Financing the Gap In the aggregate, taxes at the existing rates together with the property income of government and the expected utilization of reparations from Japan would leave a financing gap of some ₱2,498.5 million in the expenditure program of the public sector or an average of little above ₱625 million yearly. The projected use of foreign loans is estimated at ₱160.0 million. The balance of ₱2,338.5 million is to be filled domestically through bond sales to the private sector other than the banking system, the banking system, and increased taxation.

The expenditure program represents the minimum sacrifice and critical effort that is expected by government to propel the economy to higher levels of growth. A further deferment of major key projects would only serve to intensify bottlenecks, reduce the productivity of capital, and idle the already active existing manpower. To the extent that resources shall be made available, the capabilities of government in engaging in a more purposive scheme of economic development shall be enhanced.

Should the public borrowing program be able to fill only partially the difference between the income and expenditure of government, the alternative choice to finance the gap shall be increased taxation.

The revenue receipts are not likely to keep pace with the growth of the gross national product. One of its major source, import taxes, may decline with the fall in the quantum and value of imports because of higher foreign exchange costs. Moreover, imports are subject to unpredictable fluctuations with the prospective changes in world market conditions.

With the increased monetization of the economy, the consequent expansion of the corporate sector, and greater income inequalities, personal and corporate taxes were expected to gain greater weight in the overall tax structure. However, between 1962 and 1965, both tended to decline as a percentage of total tax revenue. Greater inequality in the tax burden was seen in the increased participation of indirect taxes as they rose from 68.8 percent to 71.1 percent for the same period. More than two-thirds of the total tax revenue was derived from indirect taxes. Direct taxes have played a relatively minor role. On the whole, the tax structure appear to have limited flexibility, hence taxable capacity of the economy was only partially tapped.

At current prices, the total tax revenue of government as a relation to the gross national product averaged a little less than 12 percent for the FY 1962-1965. This is shown in Table No. XIII.9. Compared to the more than 20 percent for Ceylon, Burma, and Taiwan, this appear to be very low. For the developed economies, the comparable range is much higher, ranging from 25 percent to 35 percent of GNP.

To finance the gap of ₱1,367.4 million in new taxes may require an average incremental rate of 24 percent in relation to the gross national product. This will raise the average rate to 15.0 percent compared to the 11.9 percent between 1962 and 1965. This indeed, is a very modest rise which appear to be realistic and easy to attain, with still sufficient elbow room to raise the levels of living. However, such proposals for tax increase shall have to be accepted politically and socially with resolute determination to bear the necessary sacrifice in the pursuit of socio-economic progress.

Table XIII.9 - TOTAL TAX REVENUE IN RELATION TO GROSS NATIONAL PRODUCT FY 1962 TO FY 1965

(In million pesos at current prices)

Year	Gross National Product	Direct and indirect Taxes	Percent to G N P
1962	14,202	1,611	11.3
1963	16,071	1,882	11.7
1964	17,978	2,176	12.1
1965	19,530	2,464	12.6

Table XIII.10 - TOTAL INDIRECT TAXES TO TOTAL TAX REVENUES FY 1962 TO FY 1965

(In million pesos at current prices)

Year	Total tax Revenue	Indirect Taxes	Percent to total tax revenue
1962	1,611	1,109	68.8
1963	1,882	1,310	69.6
1964	2,176	1,531	70.4
1965	2,464	1,751	71.1

Table XIII.11 - TOTAL DIRECT TAXES TO TOTAL TAX REVENUE FY 1962 TO FY 1965

(In million pesos at current prices)

Year	Total tax revenue	Direct taxes	Percent to total tax revenue
1962	1,611	502	31.2
1963	1,882	572	30.4
1964	2,176	645	29.6
1965	2,464	713	28.9

Source: The National Income and Product of the Philippines, OSCAS, NEC.

Table XIII.12 - TOTAL DIRECT TAXES ON CORPORATIONS IN RELATION TO TAX REVENUE FY 1962 TO FY 1965

(In million pesos at current prices)

Year	Total tax revenue	Corporate taxes	Percent to total tax revenue
1962	1,611	216	13.4
1963	1,882	261	13.9
1964	2,176	283	13.0
1965	2,464	282	11.4

Table XIII.13 - TOTAL DIRECT TAXES ON HOUSEHOLDS IN RELATION TO TOTAL TAX REVENUE FY 1962 TO FY 1965

(In million pesos at current prices)

Year	Total tax revenue	Personal taxes	Percent to total tax revenue
1962	1,611	286	17.8
1963	1,882	311	16.5
1964	2,176	362	16.6
1965	2,464	431	17.5

Sour: The National Income and Product of the Philippines, OSCAS, NEC.

The outline of desirable tax program may take the nature of the following tax measures:

1. The expansion of taxable income bracket and upward revision of rates for persons and corporations;
2. A selective import and export tax;
3. Revision of the tariff;
4. Higher taxes on real estate for both urban and rural; and,
5. Specific taxes on manufactured petroleum, oil and fuels.

The above tax recommendations are expected to yield additional revenues as shown in Table XIII.14. If tax legislation does not materialize together with the increased domestic and foreign borrowing, then government will have to play a receding role in economic activity. This will undoubtedly have far-reaching economic and social implications and undersirable conseqences in the overall growth rate and a weakening of the social base.

Local Governments Investment required at the local government level is dictated by the degree of development envisioned in the regional development plan. While the limited resources of the government do not permit the proliferation and simultaneous construction of basic economic facilities at the desired level to stimulate balanced development in all regions at the same time, this limited resource will be used instead to create tension between

Table XIII.14 - ADDITIONAL REVENUE FROM NEW TAX MEASURES FY 1967 TO FY 1970

(In million pesos)

Items	1967		1968		1969		1970		TOTAL	
	Tax Commission	Program	Tax Commission	Program	Tax Commission	Program	Tax Commission	Program	Tax Commission	Program
TOTAL	341.6	309.0	413.1	373.3	389.8	352.8	367.0	332.3	1,511.5	1,367.4
1. Individual income tax	15.9	14.5	16.8	15.3	17.6	15.9	18.4	16.6	68.7	62.3
2. Corporate income tax	45.2	40.8	47.6	42.9	49.7	45.2	52.0	47.2	194.5	176.1
3. Selective import tax	135.4	122.4	96.7	87.4	58.0	52.6	19.3	17.6	309.4	280.0
4. Specific tax on manufactured petroleum, oils and fats	131.4	119.0	236.4	213.5	246.6	223.0	256.7	232.3	871.1	787.8
5. Tariff revision	13.7	12.3	15.6	14.2	17.9	16.1	20.6	18.6	67.8	61.2

Note: Tax Commission refers to Joint Legislative-Executive Tax Commission. Program estimates are lower than those of the Tax Commission as allowances provided for the anticipated announcement effects and probable difficulties that may be met by the tax collection machinery.

the actualities and the resource potentialities of selected areas by providing the structural stimulants to spurt production growth. However, the local governments alone without the necessary incentives from the national government are not in the financial position to initiate such moves. This is evidenced by the fact that only 12 percent of the tax revenues is alloted for the local governments; 10 percent for provinces and cities and 2 percent for municipalities.[a/] The apportionment of this share is distributed among the local governments depending on the size of the population. The receipts and expenditures of the local governments is shown in the table below for FY 1961-1964.

Table XIII.15 - Local Government - Revenue and Expenditures

(In million pesos)

	1961	1962	1963	1964	Average
Receipts	309	340	437	509	
Revenue from taxation	270	294	335	379	
Other incomes	39	46	102	130	
Expenditures	347	380	439	532	
Operating expenses	234	255	297	356	
Social improvement	55	61	71	86	
Economic development	58	64	71	90	
Percent of tax revenue to total receipts	87.4	86.5	76.7	74.5	81.3
Percent of economic development to total expenditures	16.7	16.8	16.2	16.9	16.6

NOTE: The above expenditures for social improvement and economic development refer to capital formation only.

SOURCE: National Income Branch, OSCAS, NEC

[a/] A report on the survey of the fiscal position of local governments, Joint Legislative-Executive Tax Commission.

In fiscal years 1961 to 1964 the total tax revenue of the local governments made up 81.3 percent of the total receipts. Only 28.1 percent of the total receipts is accounted for by the revenue allotments from the national government and the remaining 53.2 percent is filled by local tax collections. The taxing powers of local governments are very limited so that these governments rely heavily on the apportionment of tax collections at the national level and other forms of assistance.

The meager income of the municipalities, cities, and provinces has made it difficult to establish a staff to perform the necessary vital functions relegated to them. This is further aggravated by the inability to have capable administrators by which the assistance and grants from the national government could be used effectively and efficiently. The neglect of local development is reflected in the small percentage of the total expenditures for economic development. Only about 16.6 percent of the total expenditures is capital formation for economic development. Furthermore, the estimates of income and expenditures by local treasurers do not have binding effect on local legislative councils and thereby lack the safeguard against occurrence of deficits.

The growth of urban population poses a serious problem for local governments since they have to provide expanding social services and overhead facilities. In some regions, the problem is quite acute because the growth of capital resources has been slow.

This is reflected in the very low standard of services indicating a compelling need for improvement in the local functions. The growth of population has brought with it the emergence of slums and other forms of social disorganizations which are in themselves a drag on the economy.

At the local government level, the magnitude of planning and financing becomes equally as important as that at the national level. Plan formulation and implementation of local government investments must of necessity follow the organized and orderly system of priorities in the over-all program of economic development.

In development planning the feasible program for the local governments have been on the whole neglected. Over the growing years when industrialization was at an increasing pace, investments in the development of municipalities was meager. Loan applications by local governments for water supply facilities, sewers, power plants, building of hospitals and schools cannot be granted for sheer lack of planning for such projects in terms of their economic and technical feasibilities.

It is, therefore, desirable for local governments to organize their economic planning staff in anticipation of expanding responsibilities relative to regional development. The regional development plan is an integral part of the national development plan. The planning and programming for regional development include the plans of the different local governments involved.

The local governments should employ qualified people if they are expected to lend support to the national objective of development to map out and plan their needs and the timing of the flow of resources particularly aids coming from the national government. This area of responsibility is crucial for local governments since they are in the best position to determine the resources that can be mobilized by them and the accompanying financial responsibilities that can be borne independently and those than can be shifted to the national government or other government agencies.

The execution of regional development plans must be supervised by a national government agency if the aids are to be used realistically and efficiently. Also, the taxing power to be maintained by the local governments must be enlarged subject to specific preconditions on certain standards of service. The main sources of revenues of the local government have limited flexibility and are not responsive to changes in prices and incomes thereby causing such entities to rely heavily on the larger resources of the national government. Reliance on the national government has proven to be a handicap during peak periods of development. Demand for financial resource is often delayed due to some political reasons. The needs of the local governments should be studied critically and methods of financing their development should be developed well in advance.

Within the existing tax structure of most municipalities and provinces, one cannot contemplate the expansion of municipal services comparable to those of the more prosperous cities in the country. Reform of the municipal structure must take account of existing patterns of responsibilities and the normally very limited income receipts. Between the local and national government, the distribution of responsibilities should be clearly defined. The classification of towns, cities, and provinces is to be made and a model that will likely fit their needs should be evolved. The scope of the services allocated should be the subject of continuing study and progress report.

Fiscal Program for Local Governments The expenditure program of the local governments is estimated at ₱2,458.6 million for the program period FY 1967 to FY 1970. Of this amount ₱863.9 million or 35.1 percent is for economic development, ₱971.3 million or 39.5 percent for social development ₱291.6 million or 11.9 percent for maintenance of peace and order and the rest for general government services and servicing of debts. The following table shows the programmed pattern of expenditures by year.

Table XII.16 - PROJECTED EXPENDITURES OF LOCAL GOVERNMENT BY FUNCTIONAL CLASSIFICATION FY 1967 TO FY 1970

(In million pesos)

Items	1967	1968	1969	1970	Total
Economic development	187.6	195.1	236.1	245.1	863.9
Agricultural and natural resources	2.6	2.7	3.3	3.4	12.0
Transportation and communication	178.2	185.3	224.3	232.8	820.6
Other economic development	6.8	7.1	8.5	8.9	31.3
Social development	247.9	271.0	225.2	227.2	971.3
Education	132.9	145.3	120.7	121.8	520.7
Public health and medical care	100.4	109.7	91.2	92.0	393.3
Labor welfare	14.6	16.0	13.3	13.4	57.3
Maintenance of peace and order	55.8	57.0	78.2	100.6	291.6
General government	60.6	64.2	83.2	85.3	293.3
Debt servicing	8.6	9.3	10.0	10.6	38.5
Total	560.5	596.6	632.7	668.8	2,458.6

The program envision the active participation of the local government in the industrialization process. While they are not financially capable of promoting directly industries in their respective jurisdictions these governments could create the industrial atmosphere conducive forprospective private investors. The program emphasizes the need of infrastructure w ich attract industrialists to local regions, thus allocating ₱864 million or 35.1 percent of the ₱2,459 million estimated expenditures for the four-year period for economic development. This percentage allocation is higher by about 9.0 percentage points than the 25.8 percent of previous years. Of the ₱864 million economic development expenditures, ₱821 million or 95.0 percent is for transportation and communication in the maintenance of public highways, docks and wharves, harbors, irrigation systems and artesian wells. Only ₱12.0 million, or 1.4 percent is for expenditures for the inspection and care of agricultural crops and livestocks projects, and ₱31.3 million or 3.6 percent for cadastral cost and other land development projects.

The social development on the local governments level requires a greater bulk of the total expenditures. The provision of additional educational and health facilities for the fast growing urban population and the allocation for labor welfare require an estimated ₱971 million or 39.5 percent of total expenditures. More than one-half of this amount is for the education program and about 40.5 percent for the improvement of health facilities.

The requirements for local governments administration and the provision for the maintenance of peace and order constitute 23.8 percent of the total expenditures while the allocation for debt obligations 1.6 percent. All these allocations are calculated to meet the challenge to local governments for the needs of regional development planning and stimulate to a greater degree the active participation of these governments in the national progress.

In support for these expenditures incomes of the Local governments must be enlarged. This will be accomplished by providing them with more taxing powers and decrease their reliance on apportionment of tax revenues from the national government. For the program period the total estimated income amounts to ₱2,183 million of which ₱1.382 million or 63.2 percent is apportionment from national government. The following table shows the break-down of incomes:

Table XII.17 - PROJECTED INCOME OF LOCAL GOVERNMENTS
FY 1967 TO FY 1970

(In million pesos)

Items	1967	1968	1969	1970	Total
Total expenditures	560.5	596.6	632.7	668.8	2,458.6
Total income	494.9	529.2	562.9	595.9	2,182.9
Apportionment from national government	304.2	317.3	357.4	402.9	1,381.8
Others	190.7	211.9	205.5	193.0	801.1
Financing gap	65.6	67.4	69.8	72.9	275.7
Borrowings	45.6	47.4	49.6	52.9	195.5
Additional revenues from new tax measures	20.0	20.0	20.2	20.0	80.2

Borrowings and additional revenue from new tax measures in the amount of ₱275.7 million will close the gap between estimated income and the programmed expenditures. Widening the tax base on real properties to conform with the current [illegible] the tax revenues of the local governments.

A great many of the provinces and cities still reflect pre-war values of their property and the latest revision was in 1946. The immediate short-run recourse to alleviate the distressed local finances rests in the adjustment and modernization of the assessment rolls of taxable properties.

Chapter XIV

FOREIGN AID AND REPARATIONS PROGRAMS

Foreign aid from all sources and reparations payments from Japan as sources of investment funds have contributed to the country's stock of capital goods, the improvement of government social services facilities and the improvement of manpower resources. The foreign aid program in particular, on the one hand, has to some measure enabled the government to revitalize and modernize governmental procedures and functions and provided modest amount of loan funds for the expansion and/or establishment of industrial projects in the private sector besides financing the dollar costs of surveys that provided the guides to reforms and additional pre-investment studies. The reparations program, on the other hand, has to some extent served the needs of industry by way of affording it the opportunity to procure under easy terms of payment the essential machinery and equipment for a number of productive undertakings.

The Four-Year Program, therefore, envisions to make continuous use of foreign aid and reparations as extraordinary sources of funds to supplement local investment resources and foreign borrowings. It is also conceived to maximize the use of all funds from these sources for the support of the infrastructure and public utilities, and social services programs of the government.

1. Extent of Foreign Assistance in the Philippines Since its inception and up to FY 1965, foreign assistance to the Philippines totaled $411.02 million broken down as follows:

United States		
AID (Bilateral)	$252.20 M	
PL 480	131.22 M	$383.42 M
United Nations		
Expanded Programme	5.95 M	
Regular Programme	2.55 M	
Special Fund	3.97 M	
UNICEF	7.73 M	
World Food Programme	.88 M	21.08 M
Colombo Plan		5.85 M
Bilateral Arrangements		0.67 M
Total		$411.02 M

a. The Bilateral Agreement with the United States (NEC-AID Program) The United States technical assistance program in the Philippines provides the services of technical experts for the implementation of development projects; commodities and materials for demonstration projects; and opportunities for training abroad of Filipino nationals in various fields of specialization. Assistance is channeled to projects under the broad categories of agriculture and forestry, industry and mining, public works and transportation, health and sanitation, education, labor and public administration, community development and atomic energy.

Most of the assistance is in the form of grants and a small amount in loans.

1) The NEC-AID Program in FY 1965 The total value of the FY 1965 assistance under this program amounted to $24.78 million, of which $0.903 million were for commodities; $1.64 million for technicians' services; $0.47 million for training of 245 Filipino participants abroad; $12.57 million under Title I and $9.20 million under Title III of U.S. Public Law 480.

Out of a total $15.6 million made available under a credit agreement for development projects under U.S. PL 480, $5.0 million were made available to the National Irrigation Administration; $5.0 million to the Electrification Administration ; $1.8 million to the Mindanao State University; and $1.0 million to the Philippine Coconut Administration.

A sales agreement involving importation of rice worth $12.5 million under Title I of U.S. PL 480 was agreed upon. This will make available to the Philippines about $24.51 million in grants and loans from the peso proceeds from the sale of said rice. Under a ₱10.12 million loan agreement under PL 480, loan agreements for the following projects were processed:

University of the Philippines	₱3.0 M
Economic Development Foundation, Inc.	3.0 M
National Land Reform Council	1.5 M
Industrial Guarantee and Loan Fund	1.0 M
Total	₱8.5 M

Under Title III, the FY 1966 Program of 106.323 million pounds of various relief commodities with an estimated value of ₱10.3 million has been approved. The program includes milk, wheat flour, cornmeal, bulgur wheat, rolled wheat, fats and oils which will be distributed through such voluntary relief agencies as the Seventh Day Adventist Welfare Services (SAWS), Church World Service (CWS), Catholic Relief Services (CRS), and Cooperative for American Relief Everywhere (CARE), Inc.

In FY 1965, the services of sixty-one (61) U. S. technicians under various contracts were utilized to provide technical advice to Philippine Government agencies implementing various development projects. The following contracts were entered into:

U.P. College of Forestry - State University of New York
Philippine Atomic Energy Commission - University of Virginia
Economic Development Foundation - George Fry and Associates
Agricultural Credit Administration - National Farmers Union
National Economic Council - Electric Power Industry Survey Contract
University of the Philippines & other universities - University to University Contract
National Science Development Board - National Academy of Science.

2) The Excess US Property Program Excess U. S. property authorized under Sec. 607 of the U. S. Foreign Assistance Act of 1961 is made available to: (a) government agencies including local governments; (b) voluntary non-profit relief agencies; and (c) local chapters of international organizations upon request and without cost. The property which is limited to non-military assistance is used in activities which are contributory to the objectives of the socio-economic program.

During FY 1965, 358 requests for various motor vehicles, farm equipment, medical and scientific instruments were received. Only 164 agencies actually received the commodities applied for as most of the requested equipment were not available.

3) Tools for Freedom The Department of Education is a recipient from the Tools for Freedom, Inc., a non-profit organization of the United States of America, of tools, machines, instruments, and other types of equipment for use in the public schools with an estimated value of $2.0 million. These commodities will be distributed to deserving schools in the Philippines. The Philippine Government provided ₱188,800 for the operation of the Tools for Freedom program during Fiscal Year 1965 to cover the cost of handling, unloading, warehousing and transporting of the commodities brought into the country.

b. The United Nations Programme

1) The Expanded Programme of Technical Assistance (EPTA)

The United Nations Expanded Programme of Technical Assistance was created in 1949 to help developing countries strengthen their economies through the development of their industries and agriculture with a view to promoting their economic and political independence and to insure the attainment of higher standards of living for their entire populations. At the request of Governments, the EPTA undertakes to render advice, demonstrate, train and facilitate the exchange of technical knowledge and information through the services of experts, fellowship awards, and the provision of equipment for demonstration purposes.

Under the programme, the amount of $.56 million was programmed for Fiscal Year 1965, of which $.50 million were for services of experts; $.05 for the training abroad of 14 Filipino participants involved in development projects; and $.01 million for commodities. The activities being assisted include map reproduction, family and child welfare, housing and regional planning, manpower planning, cooperatives, animal production, nutrition, fisheries, coconut and citrus research, science instruments repair, health and sanitation, and atomic energy.

2) The United Nations Special Fund Complementary to the Expanded Programme is the Special Fund Programme which undertakes to assist relatively large projects involving assistance of not less than $250,000 from three to five years duration for surveys and feasibility studies, applied research, manpower training and technical education. Assistance usually involves the services of teams of international experts along with substantial allocation for the procurement of equipment necessary in the implementation of the project but unobtainable in the recipient country, and fellowship grants for the advance training of counterpart personnel to serve in the project and continue therein after the foreign assistance has terminated.

The following Special Fund projects are now under implementation:

Name of Project	Duration	Special Fund Contribution	Phil. Gov't. Support
Dairy Training & Research Institute	5 years	$ 807,800	$ 773,723
Institute of Applied Geology	5 years	793,100	652,340
Telecommunications Training and Research Institute	2 years	1,043,000	698,000
Pre-Investment Study on Power, Including Nuclear Power	2 years	477,500	262,005
Soil Fertility Survey and Research	5 years	980,800	1,677,766
Deep-Sea Fishing Development Project	5 years	1,396,900	2,457,350
Survey of Coal Resources in Mindanao	3 years	528,500	612,399
Strengthening Agricultural Education in Mindanao Institute of Technology in Support of the Land Reform Program	5 years	1,062,220	1,352,668
Demonstration and Training in Forest, Forest Range and Watershed Management	4 years	729,900	690,985

3) The Regular Programme of the UN Specialized Agencies

Several Specialized Agencies of the United Nations which take part in the Expanded Programme also carry out activities within their own technical competence in fields related to economic and social development, under their regular budgets. In FY 1965, five UN

Specialized Agencies programmed assistance valued at $.47 million for the Philippines.

4) The World Food Programme The World Food Program (WFP) is a joint undertaking of the United Nations and the Food and Agriculture Organization (FAO), to provide stimulus for economic and social development through assistance in the form of food. The resources of the program come from voluntary contributions pledged by member countries of the UN and FAO.

In FY 1965, three projects were approved for the Philippines, namely: assistance to the land reform areas; assistance to the Bureau of Animal Industry for livestock improvement; and, emergency assistance to the typhoon victims of Surigao del Norte. Foodstuffs worth $879,600 were received for the projects during the fiscal year.

5. Freedom From Hunger Campagin (FFHC) FFHC is an activity of the Food and Agriculture Organization (FAO). The resources of this program are provided by direct sponsorship by national Freedom From Hunger Committees, non-governmental organizations or by industry, in member countries of the FAO.

During Fiscal Year 1965, four proposals were submitted by the Philippines to FFHC in Rome, namely: Freshwater Fish Culture Development; Outboard Motorization of Small Fishing Crafts; Poultry Raising, St. Joseph's School in Bacolod City and Manapla Fishing Cooperative. The Motorization of Small Fishing Crafts is under consideration by the Japanese Government, while the other three proposals have already been accepted and approved by Australia.

6) The UNICEF Program Assistance under the United Nations Children's Fund started in 1948 in the form of technical equipment, transport, medical supplies, drugs and diet supplements for the benefit of mothers and children. In FY 1965, UNICEF assistance to the Philippines amounted to $.57 million.

c. The Technical Cooperation Scheme of the Colombo Plan The objective of the Technical Cooperation Scheme of the Colombo Plan is to provide a suitable machinery for the exchange of technical knowledge and skills between the participating countries. Since becoming a member in 1954, the Philippines has participated both as a donor and recipient country. As in other foreign technical assistance programs, the Colombo Plan makes available upon request, the services of experts, fellowships and equipment for specific projects.

In FY 1965, assistance valued at approximately $450,000 was programmed for services of 12 experts; training of 149 Filipino technicians; and. equipment worth $67,066 for research, education and allied projects.

As a donor country, the Philippines accepted for training 8 participants from other countries under this Plan.

d. The Bilateral Arrangements Technical assistance under Bilateral Arrangements with Denmark, France, Germany, Sweden, Israel, Switzerland, Italy, Japan, United Arab Republic and Netherlands is also being availed of. Under this program, 62 Filipino participants were scheduled for training abroad in FY 1965 and the services of one expert was requested. The Electrical Trades Training Center at the Marikina School of Arts and Trades which will train technicians for various electrical and electro-mechanical trades in the country was established with assistance from the French Government.

e. The Regional (Third Country Training Program) Philippine participation in this program is that of a donor instead of a recipient of technical assistance. In cooperation with the U. S. Agency for International Development which provides books, tuition fees, maintenance allowance and cost of internal travel in the country to foreign trainees, the Philippines, through various agencies, provides the training facilities. Cost of international travel and other expenses are borne by the country of the trainee.

From 1955 to 1965, a total of 3,047 third country participants or trainees was given training in the Philippines, 423 of whom came in FY 1965. The numbers trained and their respective fields of training are as follows: agriculture - 698; communications - 61; community development - 305; education - 770; health - 297; industry - 72; labor - 260; mining - 1; public administration and safety - 535; public works - 32; transportation - 16.

2. *Future Direction of Aid and Technical Assistance* The extensive surveys and the varied types of technical assistance in the form of services of foreign technicians, training of Filipino technicians and grant assistance under the sponsorship of the United Nations and its specialized agencies, NEC-AID, Colombo Plan, Bilateral Agreements, and others, play a major catalytic role in planned development. Some of the recent nationwide surveys and big projects which were enlarged by special assistance and bilateral aid have had an unmistakable impact, actual and potential, in the future development of the country. The industrial power survey, the water resources survey, the nuclear power survey, the study on industrial estates, to mention a few, are anticipated to have dynamic effects in generating new projects, in the further development, creation and expansion of institutions and services that shall enhance and facilitate the attainment of national goals. The present programme of technical assistance is, therefore, planned with flexibility to effectively stimulate the maximum development efforts.

a. *The NEC-US Aid Program* In the next four years the grants-in-aid phase of this program shall be channelled mostly to rural development, the improvement of public services, surveys of resources and human resources development. Self-help activities using available Title II and Title III commodities under U. S. PL 480 will be more fully utilized and expanded.

Loans available from different sources in the United States shall be tapped for new and developing industries by both the private sector and the Government.

1) Technical Cooperation In the field of technical cooperation there is no indication so far that the 1966 program of $3.4 million will be appreciably increased in 1967. However, the following projects shall be given special emphasis beginning fiscal year 1967:

a) Extension of the Water Resources Survey Project Continuation of this project, especially in feasibility studies of other locations in addition to Pantabangan, will be programmed. This would require the services of (1) a project planning engineer to assist in the feasibility study of other projects; (2) a Geologist and a Ground Water Training Adviser to assist in the prelimnary survey of a river basin other than the 7 river basins already surveyed; (3) training of additional participants and commodities estimated to cost $375,000 consisting of bulldozers, drill rigs, water and rain gauges, transportation equipment and hydrologic laboratory equipment.

b) Land Reform Requirements would consist of (1) larger scale training of participants; (2) the services of 4 technicians : namely, land management and settlement administration specialist; rural sociologist, marketing and cooperatives specialist land evaluation and financing specialist; and commodities consisting mostly of road construction equipment, agricultural machinery and equipment for irrigation, farm implements and tools, and transportation equipment.

c) Malaria Eradication Continued supply of insecticides and malaria drugs.

d) Assistance to Civil Aviation Continued technical assistance consisting of training of participants and services of experts, especially in airport design, construction and maintenance and navigational aids.

e) Public Administration Improvement Especially in the areas of revenue administration and fiscal management - training of participants and the services of experts.

f) Extension of the Textbook Production Project Additional paper and paper products still needed to catch up with the increase in school population.

g) Vocational Education Training of additional participants and services of specialists in machine shop, electronics, dye and tool making, etc., and commodities consisting of shop equipment and tools and agricultural machinery. The program of regional specialization of trade schools may, therefore, be undertaken to supply the need of industry for technicians.

h) Rural Electrification Training of participants and the services of a specialist in rural electrification and organization of electric cooperatives and testing and laboratory equipment worth approximately $20,000.

2) Food for Peace Program (U.S. PL 480) Full advantage shall be taken of this program for economic and social development particularly with respect to Titles II and III.

a) Title I Depending on the needs and requirements of the economy and the desire and willingness of the private sector, U.S. surplus commodities eligible and available for procurement under this Title may be imported. The sale under this Title is payable in pesos and part of the proceeds (30 percent in the past) may be used for loans for economic development.

b) Title II Projects Under this Title, assistance may be requested or offered on a grant basis to governments friendly to the U.S. or through U.S. Voluntary Relief Agencies to meet the requirements of needy people and to promote economic development in underdeveloped countries.

(1) Livestock Feedgrain Program The purpose of this program is to stimulate active participation of small farmers in increased livestock and poultry production that would, at the same time, give added income to the farmers. The program consists of importing U.S. surplus feedgrains, manufacturing them into complete livestock and poultry rations and selling to associations of livestock producers that are approved by NEC-USAID.

. Twenty-five thousand metric tons (25,000 MT) valued at $2.0 million have been requested to cover the requirements of the project up to FY 1967 for an estimated 25 associations expected to be approved in the two-year period. At present there are five approved associations.

(2) Self-Help Projects About 11 government agencies shown in the attached list have indicated their interest in requesting assistance under Title II for implementing self-help projects for rural development. These projects would utilize Title II commodities to provide incentives to encourage people to become more active and cooperative in self-help activities like the construction of irrigation systems, construction of school houses, malaria control and eradication, leadership training in rural areas, and others.

The food requirements of the 11 projects in FY 1966 are $7.3 million. Depending upon performance, it may be possible to expand this program in future years.

(3) Raw Cotton (for feed bags) - This is a proposal to support the Livestock Feedgrain Program by importing raw cotton to be woven into cloth by a local textile manufacturing company and then made into feed bags in one of the rural development projects for the LFG program. Finally, the feed bags will be converted into garments for distribution to needy persons through the Social Welfare Administration. The details of the proposal are still to be worked out.

POSSIBLE PROJECTS FOR DEVELOPMENT UNDER TITLE II U.S. PUBLIC LAW 480

a. Armed Forces of the Philippines - Civic Action Centers - Barrio leadership training, out-of-school youth vocational training, and barrio self-help projects.

b. Department of Health, Schistosomiasis Control and Eradication.

c. Department of Health, Malaria Control and Eradication.

d. Department of Education, Bureau of Vocational Education, Agricultural Schools - campus development and improvement.

e. Department of Education, Bureau of Public Schools - classroom construction program.

f. National Irrigation Administration,-Construction of 125 communal irrigation systems.

g. Bureau of Forestry, Timber stand improvement.

h. Central Bank, Rural Banks Department, Construction of gravity and pump irrigation systems

i. Presidential Assistants on Community Development, Self-help projects.

j. Agricultural Colleges Association of the Philippines, Agricultural colleges and universities campus development and improvement.

k. Various provinces have stated their interest in undertaking Title II activities on a provincial basis.

c) Title III This used to be a program for relief or straight handouts to indigents by Voluntary Relief Agencies, namely: CARE, CRS-NCWC, CWS and SAWS. During the last fiscal year, self-help activities notably on irrigation, road construction and construction of school buildings were undertaken using this type of assistance. It is proposed to increase this type of activity so that at least 50 percent of the commodities are utilized on self-help projects. For 1966 the value of agricultural commodities programmed under this Title amounts to $10.6 million; for 1967 and in future years it may be expanded to $12.6 million.

d) Title IV Under this Title, surplus U.S. agricultural produce may be made available on long-term loans payable in U.S. dollars. This is a possible source of importation of needed agricultural products both for human and animal consumption as well as raw materials for industry.

b. The United Nations Program

1) The Biennial EPTA Program The Philippines will continue to use the biennial program of the United Nations Expanded Programme of Technical Assistance for manpower development and foreign experts' services particularly in areas where the country has still limited technical know-how. At the same time the Office of Foreign Aid Coordination (OFAC) will continue its efforts to get meritorious

proposals for UN Special Fund Assistance approved. This means that the needed local funding in support of these projects will have to be programmed and made available just as well. This is of utmost importance as the success of the implementation of approved projects depends to a great degree on the quality and adequacy of the local personnel assigned to the project, their availability when needed and adequate financial support.

2) Special Fund of the United Nations The implementation of the following approved. UN Special Fund projects shall be continued: (a) Telecommunications Training and Research Institute; (b) Institute of Applied Geology; (c) Dairy Training and Research Institute; (d) Soil Fertility Survey and Research; (e) Survey of Coal Resources in Mindanao; (f) Deep-sea Fishing Development; (g) Strengthening Agricultural Training at the Mindanao Institute of Technology; and (h) Demonstration and Training in Forest, Forest Range and Watershed Management. The Government should be ready to support these projects with the financial commitments and contributions in kind that it has agreed to provide.

Proposals submitted and new ones under consideration by the UN Special Fund include: (a) Feasibility Survey of Hydraulic Control of the Laguna de Bay Complex and Related Developmental Activities; (b) Establishment of a Master Plan for the Sewerage System of the Manila Metropolitan Area; (c) Institute of Meteorology; (d) Management Training and Productivity Centre; and (e) Strengthening Agricultural Training at the Central Luzon State University. It is expected that in the next two or three years, most of these proposals will be approved and implemented.

Among the project proposals still under consideration at the National Economic Council [illegible] not yet submitted to the Special Fund are: (a) Coconut Research Institute; (b) Land Reform and Agricultural Productivity Training and Research; (c) Small-scale Industries Development; (d) Testing and Standards Centre; (e) Ceramics Development; (f) Vocational Training; (g) Institute for Training Educational Administrators; and (h) Advanced Regional Project on the Use of Isotopes and Radiation in Research for Rice Productivity in Asia and the Far East. Other proposals that will be submitted shall be considered on the basis of priorities set in the 4-Year Plan. Those that will meet the criteria of selection shall be recommended and transmitted to the Special Fund.

3) World Food Program At present there are two projects under implementation which shall be continued in the next two years. These are the ACA project providing for subsistence credit in support of the land reform in pilot areas and the assistance to the Bureau of Animal Industry for livestock and poultry development. Another project just approved and expected to be in operation for the next four years is the food assistance to the Mindanao State University to assist deserving working students and scholars work their way through college.

There are eight other self-help and economic development projects under consideration by the WFP in Rome and a dozen or so others in various states of preparation in different agencies concerned.

The government shall continue to avail itself of this program whenever feasible to stimulate economic and social development.

c. Colombo Plan and Other Bilateral Programs There has been a gradual expansion of the training program under the Colombo Plan from year to year. The same trend is noted in the technical assistance program (training of personnel) under the bilateral arrangements with countries like Germany, Israel, Japan, etc. This trend can be taken advantage of especially where valuable equipment may be involved, depending upon the availability of adequate local support for the use of such equipment.

There are certain offers of assistance under the bilateral arrangements such as that of France and Israel that the country cannot take full advantage of because of the requirement that the Philippine Government provide the international travel and other expenses of the trainees. Following the policy of austerity there is reticence in recommending the sending of trainees under bilateral programs that call for expenditures by the Philippine Government.

3. Recommendations for the Proper and Effective Implementation of the Foreign Aid Program

a. Under Reorganization Plan 10 as implemented by Executive Order 119, the National Economic Council through its Office of Foreign Aid Coordination is charged with the coordination of all foreign assistance programs in the country. But recent legislations have been enacted giving to other local agencies the function of coordinating certain foreign assistance programs in the country, a situation which has confused and rendered more difficult the coordination function of the NEC. There should, therefore, be a re-examination of the present scheme of coordination with a view to achieving a more centralized and effective coordination of foreign assistance by the NEC.

b. There is a misconception in some quarters that foreign aid can be had just for the asking and that the Government is not getting the most from foreign aid. Every form of foreign aid depends upon the fundamental factors, namely: the nature and magnitude of the assistance that donor countries and institutions may offer motu propio or be willing to give the Philippines upon its request; and the ability of the Philippine Government to provide adequate local financial and technical support to meet requirements of foreign assistance that may be received, such as the following:

1) For foreign experts, their daily maintenance allowances while in the country;

2) For participants abroad, their salaries during their period of training, clothing allowance, and as in the AID program, their international travel; and

3) For equipment received, the costs of providing the needed space that generally involve construction of buildings, installation, continuing costs of operation, upkeep and maintenance, not to mention the hiring of adequately trained staff to man and operate them.

Assurance of adequate local support is a pre-requisite to a successful negotiation for foreign aid undertaken by the Philippine Government with donor countries and organizations. Once that assurance is given it should be complied with not only for the proper implementation of projects when approved, but also for the preservation of the country's good name, otherwise, it would be very embarrassing for the Philippine Government not to live up to its commitments. Agencies, therefore, should be certain that local support is immediately available before requesting foreign assistance to avoid difficulties in implementation and prevent dissipation of assistance when received. In this connection, the Government's accounting and auditing procedures should be looked into and possibly revised to conform to modern practices. The main problem confronting projects is the late releases of funds. Sometimes budgets for 2 or 3 quarters are not released or authorized; and oftentimes, authorized but no funds are available. This is embarrassing indeed to the

Government, especially to the agency coordinating the foreign assistance program and which deals with the international organizations providing the assistance.

c. Even if funds are assured for the implementation of projects, they are at times insufficient to cover normal operational activities agreed upon, such as appointment of personnel to provide necessary services; maintenance and repair of equipment; construction of, and repair of buildings, transportation and other facilities and equipment. This failure to provide sufficient funds required should be carefully avoided

d. The United States Program of Technical Assistance is already 14 years old and has passed its zenith. A re-examination of this program with a view to - updating and revision or termination of the "Economic and Technical Cooperation Agreement between the Government of the United States of America and the Government of the Philippines", signed on April 27, 1951, otherwise known as the Bilateral Agreement, is in order. From the look of things the program has come to an end since no new projects are being planned or suggested and the technical assistance program has been getting smaller and smaller. The new concept of U.S. aid enunciated four years ago emphasizes loans for development and maximum self-help. These loans for development are negotiated under the terms of the respective regulations of the loaning institutions outside the scope of the Bilateral Agreement. Programs under U.S. Public Law 480, which involve importation of United States agricultural surplus into the country, are negotiated under the provisions of said law. The U.S. AID Mission has practically nothing to do with it.

The now limited U.S. technical assistance program (services of experts and Filipino participants training abroad) can be continued under the Colombo Plan Technical Cooperation Scheme of which the United States and the Philippines are both members. One of the advantages of the Colombo Plan Scheme is that there is more flexibility in the assistance given and received under the Plan. Another advantage of the Colombo Plan approach is that it will not be necessary for the United States to maintain here a large AID staff as it now does which is very expensive for the Philippines.

e. In the revision of the Bilateral Agreement, a fresh start with a better perspective may be attained. The program which was received at the start with unbounded optimism on what it could accomplish to stir up social and economic progress in the country, has been declining. The old concept is no longer valid today.

There is no question that the program has aided progress in the Philippines substantially. The more than 150 aided-projects implemented under the program have strengthened the country's infrastructure and basic institutions which serve as springboards for more accelerated social and economic growth. But for whatever benefits the Philippines has derived from the United States program of assistance, the country has contributed in equal if not greater measure.

Table XIV.1 - PESO SUPPORT FOR FOREIGN ASSISTANCE PROGRAM
FY 1967 TO FY 1970

Items	1965 Actual	1967 Projection	1968 Projection	1969 Projection	1970 Projection
OPERATIONAL					
NEC-AID	14,151,080	14,689,000	19,680,000	19,700,000	19,720,000
United Nations	602,000	600,000	650,000	700,000	750,000
UNICEF	495,000	606,000	610,000	640,000	670,000
UN Special Fund	1,097,304	1,420,000	1,626,050	1,483,728	1,361,900
UN Specialized Agencies	254,396	400,000	600,000	650,000	700,000
Colombo Plan	245,000	200,000	245,000	245,000	245,000
A P O	71,885	60,000	120,000	120,000	120,000
Bilateral	-	756,000	457,060	476,180	150,000
Sub-Total	16,916,665	18,731,000	23,988,110	24,014,908	23,716,900
CAPITAL					
NEC-AID					
a) Lump sum	1,676,000	2,724,000	3,200,000	3,200,000	3,200,000
b) C F S A	6,000,000	5,750,000	4,000,000	4,000,000	4,000,000
UN Special Fund	400,000	350,000	500,000	-	-
Bilateral	-	500,000	500,000	500,000	500,000
Sub-Total	8,076,000	9,324,000	8,200,000	7,700,000	7,700,000
GRAND TOTAL	24,992,665	28,055,000	32,188,110	31,714,908	31,416,900

Table XIV.1 - Peso Support for Foreign Assistance Program (cont'd.)

I t e m s	1966 Estimate	1967 Projection	1968 Projection	1969 Projection	1970 Projection
NEC-AID LUMP SUM					
Operational					
Water Resources Survey	2,000,000	2,000,000	3,000,000	3,000,000	3,000,000
College of Forestry	145,522	180,956	180,000	190,000	200,000
Agricultural Land Reform	200,000	200,000	300,000	300,000	300,000
Medical Services Training	41,316	80,835	50,000	55,000	60,000
Environmental Sanitation	83,000	81,635	90,000	95,000	100,000
In-Service Training Pilot School	52,000	26,151	70,000	70,000	70,000
Revenue Administration Improvement	396,200	422,643	430,000	430,000	430,000
Police Improvement	57,000	60,000	100,000	100,000	100,000
Statistical Research & Development	328,000	200,000	350,000	350,000	350,000
P A C D	10,000,000	10,400,000	12,600,000	12,600,000	12,600,000
Procurement Charges on the Commodities	10,000	10,000	10,000	10,000	10,000
Improvement of Training Operations	500,000	1,000,000	2,000,000	2,000,000	2,000,000
Priority Development Projects	306,942	26,780	500,000	500,000	500,000
Sub-Total	14,119,980	14,689,000	19,680,000	19,700,000	19,720,000
Capital					
College of Forestry	-	500,000	-	-	-
In-Service Training Pilot School	300,000	-	-	-	-
P A C D	2,400,000	2,000,000	2,400,000	2,400,000	2,400,000
Priority Development Projects	24,000	224,000	500,000	500,000	500,000
Sub-Total	2,724,000	2,724,000	2,900,000	2,900,000	2,900,000
TOTAL NEC-AID	16,843,980	17,413,000	22,880,000	22,900,000	22,920,000

Table XIV.1 - Peso Support for Foreign Assistance Program (cont'd.)

	1966 Estimate	1967 Projection	1968 Projection	1969 Projection	1970 Projection
UN SPECIALIZED AGENCIES					
Operational					
Social Services Project	300,000	350,000	400,000	450,000	500,000
Priority Development Projects	120,000	50,000	200,000	200,000	200,000
TOTAL UN SPECIALIZED AGENCIES	420,000	400,000	600,000	650,000	700,000
UN SPECIAL FUND					
Operational					
Dairy Training & Research Institute	484,117	509,695	-	-	-
Telecommunications Training Inst	98,000	100,000	-	-	-
Institute of Applied Geology	32,640	-	-	-	-
Soil Fertility and Research	82,200	44,000	37,600	-	-
Coal Resources Survey	68,000	44,400	-	-	-
Deep Sea Fishing Development	132,800	112,800	67,200	28,400	-
Strengthening Agricultural Training in MIT	138,400	82,000	70,800	59,200	26,400
Pre-Investment Study on Power, Including Nuclear Power	30,000	-	-	-	-
Demonstration & Training in Forest Range & Watershed Management	75,000	89,200	82,400	-	-
Management Training & Productivity Costs	-	117,200	104,000	104,000	88,000
Institute of Meteorology	27,240	39,600	81,870	39,600	27,240
Industrial Estates Development	119,880	-	-	-	-
Laguna de Bay Complex	110,668	120,000	104,160	-	-
National Small Industry Development Authority	-	-	79,920	83,248	52,800

Table IV 1 - Peso Support for Foreign Assistance Program (concluded)

	1966 Estimate	1967 Projection	1968 Projection	1969 Projection	1970 Projection
Southeast Asia Pulp & Paper Research & Training Center	-	13,320	24,720	49,400	-
Institute for Training Educational Administrators	-	168,800	168,800	168,800	168,800
Institute of Planning	-		81,420	74,850	55,320
Land Reform	-	-	186,480	146,520	133,200
Testing and Standard's Center	-	-	12,420	130,410	130,410
ECAT Productivity Training Project	-	-	120,10	95,100	95,100
Coconut Research Institute	-	-	104,160	104,160	84,630
Priority Development Projects	125,055	278,305	300,000	400,000	500,000
Sub-Total	1,524,000	1,420,000	1,626,050	1,483,728	1,361,900
Capital					
Telecommunications Training Inst	50,000	50,000	-	-	-
Dairy Training & Research Institute	-	300,000	-	-	-
Priority Development Projects	50,000	-	500,000	-	-
Sub-Total	100,000	350,000	500,000	-	-
TOTAL UN SPECIAL FUND	1,624,000	1,770,000	2,126,050	1,483,728	1,361,900

Table XIV.1 - Peso Support for Foreign Assistance Program (cont'd.)

	1966 Estimate	1967 Projection	1968 Projection	1969 Projection	1970 Projection
BILATERAL					
Operational					
Electro-Mechanical & Electrical Trades at Marikina School of Arts and Trades	13,200	15,000	15,000	-	-
Institute for Small Scale Industries	-	251,040	292,060	326,180	-
Demonstration & Training Center for Cottage Industries	-	360,000	-	-	-
Priority Development Projects	-	129,960	150,000	150,000	150,000
Sub-Total	13,200	756,000	457,060	476,180	150,000
Capital					
Demonstration and Training Center for Cottage Industries	-	140,000	-	-	-
Priority Development Projects	-	360,000	500,000	500,000	500,000
Sub-Total	-	500,000	500,000	500,000	500,000
TOTAL BILATERAL	13,200	1,256,000	957,060	976,180	650,000

Table XIV.2 - FOUR-YEAR FOREIGN ASSISTANCE DOLLAR PROGRAM
FY 1967 TO FY 1970

	Items	1967	1968	1969	1970
I.	U.S. Bilateral	3,500,000	3,500,000	3,500,000	3,500,000
	Public Law 480	13,500,000	13,500,000	13,500,000	13,500,000
II.	United Nations				
	E P T A	550,000	550,000	550,000	550,000
	Regular	500,000	500,000	500,000	500,000
	Special Fund	2,145.855	1,970,370	1,187,720	563,890
	UNICEF	790,000	960,000	1,075,000	1.100,000
	World Food Program	980,000	1,000,000	1,000,000	1,000,000
III.	Colombo Plan	650,000	650,000	650,000	650,000
IV.	Bilateral Arrangements	180,000	200,000	200,000	200,000

REPARATIONS PROGRAM

I. 1. Objective. The Reparations Program is intended to give meaning and substance to the policy enunciated under the Reparations Law as amended, that is, "to utilize all reparations payments procured in whatever form from Japan in such a manner as shall assure the maximum possible economic benefit to the Filipino people and in as equitable and widespread a manner as possible."

The program is designed to adhere as closely as possible to this avowed policy and to achieve the following objectives:

a. To assist the government pursue vigorously essential public works projects like highways, airports, ports and harbors, telecommunications, and waterworks by providing the Department of Public Works and Communications the badly needed equipment, machineries and materials;

b. To help the country attain self-sufficiency in food crops like rice and corn through the procurement of farm machinery and equipment of all practical types and use in irrigation, land preparation, cultivation and improved rice milling, and of agricultural supplies, like fertilizers and pesticides that could expand farm productivity;

c. To provide educational equipment and materials to sufficiently accommodate the yearly increment in the school population;

d. To provide modern health, medical and dental equipment, materials, etc. to be able to effectively combat diseases prevalent in certain sectors of the country which greatly reduce the productive output of the farm workers;

e. To provide the PACD the necessary means to pursue vigorously its various community development projects designed to lift the economic and social standing of the people in the rural areas; and

f. To increase power output and expand the distribution facilities to provide more rural areas with cheap electricity by providing the National Power Corporation and the Electrification Administration the means to effectively carry out their statutory functions.

2. Status of Reparations (July 23, 1956 - December 31, 1965)

a. Payments Received The terms of the Reparations Agreement between the governments of the Republic of the Philippines and Japan took effect on July 23, 1956, immediately after the ratification of the Agreement by both governments. Since the implementatio of the Agreement up to December 31, 1965, the total amount of repar tions contracted for and verified was $213.2 million. The total amo actually received in the form of capital goods, services, and goods other than capital goods was $165.8 million. Of this total amount received, $50.9 million, representing 31 percent, went to the publ sector and $114.8 million, representing 69 percent, went to the private sector.

Table XIV.3 below shows the breakdown of the total reparations payments already received from Japan:

Table XIV.3 - TOTAL REPARATIONS PAYMENTS RECEIVED[a]
(As of December 31, 1965)

(In million dollars)

Category	Sectors		
	Public	Private	Total
A. Capital goods	39.7	110.4	150.1
B. Goods other than capital goods	2.6	4.2	6.8
C. Services	8.7	0.2	8.9
Total	51.0	114.8	165.8
Percent distribution	31	69	100

The distribution by categories of the total amount of reparations payments already received from Japan is Category A - Capital Goods, 91 percent; Category B - Goods Other Than Capital Goods, 4 percent; and Category C - Services, 5 percent. It is worthy to note that the bulk of the reparations payments already received were in the forms of capital equipment and machineries. The sectoral distribution of the total reparations payments in the form of capital equipment is shown in Table XIV. 4

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a/ Source of basic data: Reparations Commission.

Table XIV.4 - SECTORAL DISTRIBUTION OF REPARATIONS PAYMENTS RECEIVED IN THE FORM OF CAPITAL GOODS
(As of December 31, 1965)

(In million dollars)

Sectors	Public	Private	Total	Percent distribution
I. Agricultural and Fishery Development Projects	0.94	7.86	8.80	5.86
II. Power Development Projects and Corollary Industries	3.74	0.15	3.89	2.59
III. Mineral Resources Development Projects	-	1.00	1.00	0.66
IV. Industrial Development Projects	2.06	41.13	43.19	28.77
V. Small-Scale/Cottage Industry Development Projects	-	3.27	3.27	2.18
VI. Transportation and Communication	6.48	56.99	63.47	42.28
VII. Public Buildings and Road Construction	17.44	-	17.44	11.62
VIII. Other Projects	9.06	-	9.06	6.04
Total	39.72	110.40	150.12	100.00
Percent Distribution	26.4	73.54	100.0	

Table XIV.4 above shows that transportation and communication development projects got the lion's share of the reparations payments. The country's overseas merchant fleet was substantially increased by the acquisition of fifteen (15) units of ocean-going vessels with an aggregate gross tonnage of 113,753. The increase in Philippine bottoms had considerably increased participation in our foreign trade eventually effecting a bigger foreign exchange savings.

The lack of an efficient transportation system which greatly hampered cargo movement from one point of the country to another and the loading and unloading of imports and exports products has been minimized by the acquisition through reparations of fifteen (15) units of tugboats with an aggregate gross tonnage of 1,028 and sixty-two (62) units of barges with an aggregate gross tonnage of 6,517.

The industrial sector also received a greater bulk of the reparations payments in the form of machineries and equipment for various industrial plants. Five pulp and paper mills with an aggregate total value of $4.77 million were procured and established through reparations. Four of the five pulp and paper mills are already in operation while the machineries and equipment of the fifth are under installation.

The cement manufacturing industry received its share from reparations with the acquisition of three cement plants. Two of these cement plants with an aggregate rated capacity of 12 million bags per year are already in operation.

The local textile industry received also a boost when it was given a share in the form of machineries and equipment valued at $7.80 million.

Various chemical plants with an aggregate value of $3.78 million were acquired. These consist of a nicotine plant, neutral alcohol plant, polyvinyl chloride plant and a fertilizer plant.

Three ceramics plants with an aggregate value of $607.62 thousand were also acquired through reparations. Two of these plants are already in operation.

Other industrial projects which were established in the country with machineries and equipment procured through reparations are: various iron and steel works projects, food processing plants, a glass container manufacturing plant, an embroidery plant, and a burlap bag manufacturing plant.

No less than eighty-eight (88) Filipino nationals and entrepreneurs were given allocations under the category of small-scale industries. The aggregate value of these machineries and equipment already received amounts to $3.27 million.

The agricultural and fishery sector of the economy received its share from reparations in the form of machineries and equipment for logging and wood processing, farm implements and fishing boats and equipment. It can be pointed out that the acquisition through reparations of modern fishing boats and fishing paraphernalias helped revolutionize the fishing industry of the country. The contribution of reparations to the local fishing industry can well be manifested by the increase in the country's fish production from 393 million kilograms valued at ₱349 million in 1956, the year the Reparations Agreement took effect, to 603 million kilograms valued at ₱784 million in 1964.

Of the total reparations payments already received amounting to $110.4 million in the form of capital goods and allocated to the private sector, machineries and equipment worth $13.08 million[a] representing 11.85 percent have not been utilized by the private end-users concerned notwithstanding their complete delivery. Most of these machineries and equipment have just been lying idle at the pier and at bonded warehouses for more than two years now.

Ironically, while the country is in dire need for foreign exchange for the acquisition of capital equipment for productive ventures, we have failed to utilize these machineries and equipment procured through reparations. The non-utilization of reparations goods representing a substantial portion of the reparations payments in the form of capital goods already received, reflects more or less, the lack of a methodical system of procurement and disposition of reparations goods.

b. The 10th Year Reparations Schedule The 10th year reparations schedule covers the period from July 23, 1965 to July 22, 1966. In the preparation of the 10th year schedule (actually a revision), the Reparations Commission has set a pattern of shifting the bulk of the balance of the reparations payments by Japan to the public sector. Emphasis is laid on public works projects designed to boost the country's rice production and community development projects aimed at improving the economic and social well-being of the people in the rural areas.

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[a] As per Reparations Commission Res. No. 373(65).

The revised 10th year schedule carries with it the total amount of $73.90 million. This total amount programmed under the revised schedule constitute the amount of $40 million corresponding to the value of the tentative regular annual schedule pursuant to the provision of Section 2(h) of the Reparations Law as amended, and the amount of $33.91 million corresponding to the savings realized from the Agreed 9th Year Schedule.

Except for the amount of $2.7 million intended for the acquisition of consumer items to generate the veterans trust fund, the bulk of the amount programmed under the revised 10th year schedule has been channeled to essential public works projects, with impetus on irrigation, waterworks, electrification, highways and bridges construction, road repairs and port-works projects. Also given priorities are self-help community development projects and education projects, particularly machineries, tools and materials for the manufacture of prefabricated school buildings.

The important items programmed under the revised 10th year schedule and considered vital in stepping up the various essential public works projects are :

Category A - Capital Goods

Government Agencies	Items	Amount in Million Dollars
1. National Irrigation Adm.	Gravity Irrigation Materials	3.30
2. Dept. of Public Works & Communications	a) Bridge Construction Equipment & Materials	14.47
	b) Concrete and Asphalt Road Equipment	8.09
	c) National Road Construction and Maintenance Equipment	18.69
	d) Electronics Equipment for Educational Purposes	0.50
	e) Stamping Machinery & Equipment for the Manufacture of Vehicle Plates	0.30
3. Presidential Assistant on Community Development (PACD)	Information Media, Agricultural & Fishery Implements	2.50
4. Bureau of Printing	Printing Press	1.20
5. Bureau of Mines	Laboratory Equipment	0.28
6. Weather Bureau	Technical Instruments	0.39

Government Agencies	Items	Amount in Million Dollars
7. Congress of the Phil.	Printing Press	1.00
8. National Power Corporation (NPC)	Electrification Equipt. & Materials	3.00
9. National Waterworks & Sewerage Authority (NAWASA)	Waterworks Equipment & Materials	1.00
10. Department of Education	Pre-Fabricated Building Construction Equipment	5.00
11. Phil. Merchant Marine Academy	Training Vessel	1.50
	Total Category A - Government Sector ----	61.22

Goods other than capital goods which fall under Category B of the revised schedule and allocated to the government sector are:

1. Elevators, air-conditioning units and other equipment for the Reparations Commission	0.20
2. Fertilizers and insecticides for the Agricultural Credit Administration	4.87
Total Category B - Government Sector ----	5.07

Services and contingencies which fall under Category C are:

Government Sector

1. Operational expenses for the Philippine Reparations Mission in Tokyo	0.80
2. Services incidental to the procurement of goods and services such as inspection, insurance, shipping, banking commission, etc. for various government end-users	0.20

3. a. Services of Japanese experts and/or technicians considered necessary for the early and successful implementation of the various government infrastructure projects	1.00
b. Services of Japanese experts to conduct engineering and survey works for the Cagayan Valley-Central Luzon Development Authority	0.40
c. Services of Japanese experts to conduct survey works for the Baguio Waterworks	0.07
4. Training of Filipinos in Japan for various government end-users	0.40
Total Category C - Gov't. Sector	2.87

Private Sector -

1. Services incidental to the procurement of reparations goods and services for various private end-users	0.04
2. Services of Japanese technicians for various private end-users	0.12
3. Technical training of Filipinos in Japan for various private end-users	0.02
Total Category C - Private Sector	0.18

Projects financed from special loans and guaranteed by reparations which fall under Category D of the revised schedule are:

Government Sector -

1. Cagayan Valley railway extension project of the Philippine National Railway	1.09
2. Improvement of telecommunications facilities of the Bureau of Telecommunications in Manila	0.79
Total Category D - Gov't. Sector	1.88

The major public works projects included in the revised 10th year reparations schedule are expected to contribute immensely towards the realization of the goals set forth under the socio-economic development program.

With the acquisition of gravity irrigation materials, the National Irrigation Administration will be able to rehabilitate seventy-seven (77) National Irrigation Systems with a potential area of 300,000 hectares with an expected resultant increase of 2,386,000 cavans of palay, and the construction of forty-two (42) new irrigation projects spread out in twenty-seven (27) provinces with a potential area of 122,450 hectares capable of producing 4,458,000 cavans of palay.

As of January 30, 1965, records of the Department of Public Works and Communications show that there are 59,953 lineal meters of temporary bridges in the national system. In 1965, the reported number of lineal meters of bridges that were either replaced or repaired due to destruction by floods totalled to 150,000 lineal meters. In the current year, it is estimated that there will be 180,000 lineal meters of bridges that would be repaired and/or replaced due to the expected increase of the volume of traffic along the national roads. With the acquisition through reparations of bridge construction materials worth $11.15 million with a complement of bridge construction equipment worth $3.32 million, and with the necessary peso counterpart funds estimated at ₱20 million, the Bureau of Public Highways is expected to accelerate the works on the repairs and/or replacements of these existing temporary bridge structure along the national system with permanent ones. It expects also to construct 400 new bridges all over the country during the program period.

The concreting and asphalting equipment will be used to pave the national and provincial roads throughout the country with cement and high-grade asphalt. With this equipment, the Bureau of Public Highways can also construct 400 kilometers of concrete roads and 300 kilometers of asphalt roads during the first year.

The usual cost per kilometer of concrete road if equipment used were rented ranges from ₱150,000 to ₱180,000. By making this equipment available to contractors without rent, the cost of the concrete road is estimated to be ₱110,000.00 per kilometer or a saving by over 30 percent.

We have at present 16,000 kilometers of national roads and 45,000 kilometers of provincial and feeder roads throughout the country. Most of these roads are dilapidated and in state of disrepair in spite of the millions of pesos expended by the government for their maintenance. The cost of maintenance for these roads aggregate to not less than ₱100 million for the national roads and ₱55 million for the provincial roads or a total of ₱155 million. Sixty (60) percent of this amount represents the salaries and wages of camineros and capataces which, by necessity, have to be increased in number in view of the rapid deterioration of the roads and shortage of equipment now in the hand of the Bureau of Public Highways. The acquisition of this national road equipment valued at $18.68 million will facilitate the proper maintenance of these roads and is expected to save through mechanization ten (10) percent of the cost of maintenance.

Out of these equipment, the Bureau of Public Highways expects to construct 3,600 kilometers of feeder roads at a cost of ₱3,000 per kilometer or a total cost of ₱10.80 million. The peso cost of this project will come from the General Fund.

The substation equipment and line materials valued at $3 million to be procured for the National Power Corporation will be utilized in the following Projects:

1) Central Luzon Electrification Project (Phase 2) The completion of the project would mean the extension of NPC transmission lines to serve 3 towns in Pampanga, 13 towns in Nueva Ecija, 14 towns in Pangasinan, 5 towns in Tarlac, and 8 towns in Bulacan and 3 heavy industries in the area. After the installation of these substation equipment and transmission line materials only ten (10) towns in the five (5) provinces mentioned could not be served with electricity.

2) Laguna-Batangas Electrification Project (Phase 2) The completion of this project will extend the NPC lines to serve on heavy industry and 14 towns in the western part of Batangas. All towns of Laguna are already served with electricity by NPC. Only 6 towns in Batangas will not be served by NPC after the completion of this project.

3) Bauang Substation and Related Transmission Lines The project is intended to augment the power supply to Ilocos and Central Luzon provinces besides reinforcing the service reliability of the present and ultimate system network. This project calls for the erection of a 110 KV line from Ambuklao to Bauang, La Union where its voltage is stepped down to 69,000 volts and 13,800 volts, the latter to serve the towns nearby. The 69,000-volt side of the transformer will be used to reinforce the present 69 KV lines in Pangasinan and La Union. The 110 KV line will further be extended to Bacnotan, La Union where it interconnects with the Ilocos Electrification Project.

4) Ilocos Electrification Project (Additional Materials) The completion of this project would mean the extension of NPC power to 10 towns in Abra, 20 towns in Ilocos Sur and 18 towns in Ilocos Norte.

5) Southern Luzon Electrification Project (Stage 1) This project is the first stage of a 5-stage development to extend NPC power to Quezon province and the Bicol Region. When the first stage will be completed, 6 industries and 14 towns of Quezon

province will be connected to the NPC system. The first stage of this project is estimated to cost $2.46 million and ₱8.82 million while the 5-stage development is estimated to cost about $10 million and ₱20 million.

The waterworks equipment and materials worth $1.0 million allocated to the National Waterworks and Sewerage Authority will be used to rehabilitate, complete and establish new waterworks system in various cities and provinces. The immediate acquisition of these equipment and materials will facilitate the implementation of various waterworks projects of NAWASA aimed at supplying the population with adequate potable water.

The shortage of school buildings is a perennial problem in our educational system. There is a need to construct 25,000 school buildings yearly to replace those that are dangerously deteriorated and to house the extension classes required to cope with the yearly increment in school population. The government encounters difficulty in meeting these needs in view of technical and financial limitations inherent in the existing school building program. The establishment of plants to manufacture prefabricated school buildings is certainly one step forward to the right direction in the solution of this problem.

3. The Reparations Proceeds   Under the terms of the Reparations Agreement, Japan, by way of reparations, shall supply the Philippines with services of the Japanese people and the

products of Japan in the form of capital goods with a total value of U.S. $550 million. The Philippine government make these capital goods and/or services available to Filipino individuals or entrepreneurs and to government entities either on cash or credit basis in accordance with the provisions of Section 12 of the Reparations Law as amended. However, capital goods and complementary services intended for non-revenue producing government projects or for projects intended for public benefit and welfare are transferred to the agencies concerned without cost. The value of the goods and services intended for non-revenue producing government projects is limited to not more than ten (10) percent of the value of the annual reparations schedules.

The proceeds derived from the sale of the reparations goods and the utilization of services (excluding the $20.0 million intended for the veterans as referred to in Section 2 (d) of the R. A. No. 1789 as amended), is constituted into a Special Economic Development Fund. Congress appropriates by special laws, from time to time, out of this fund such amount as may be necessary to constitute a Special Trust Fund to be made available to the Development Bank of the Philippines and the Philippine National Bank for loans for economic and industrial development projects as well as for the construction, reconstruction, repair and/or improvement of public school buildings.

The terms of the loans to be extended by DBP and PNB are: a) amount of loan shall not exceed 80 percent of the value of the securities; b) payable within a period not to exceed twenty years depending on the kind of the loan; c) the rate of interest not to exceed 4 percent per annum; and d) the Development Bank of the Philippines and the Philippine National Bank shall charge for their services only the actual cost thereof and shall not make any profit therefrom.

The apportionment of this Special Trust Fund, in accordance with the provisions of Section 3 of the Reparations Law as amended, shall be;

1) 50 percent shall be made available for industrial loans;

2) 30 percent for agricultural loans; and

3) 20 percent, to be accorded top priority, for construction, reconstruction, repair and/or improvement of public school buildings, as Congress will provide from time to time.

Aside from the Special Trust Fund, Congress shall set aside from the Special Economic Development Fund the following amounts to constitute as a revolving fund:

1) ₱20.0 million to be used exclusively to aid in the establishment of rural banks, subject to the provisions of R. A. No. 720 otherwise known as the "Rural Banks Act," as amended;

2) ₱50.0 million for the purchase of landed estates as provided for in the Land Tenure Act and such other landed estates as provided for by other special acts.

Collections and interest earned from the proceeds of the sales of reparations goods and utilization of services as of March 15, 1966 are as follows:[1]

Collections and Interest:

Proceeds from Reparations	₱51,819,468.46
Interest Collected from Receivables	6,039,870.25
Interest Earned on Savings Deposits	1,496,598.94
Total	₱59,355,937.65

The total amount of accumulated collections and interest earned includes however the amounts of ₱18,265,434.41 generated for the Veterans Trust Fund as provided for in Section 2(d) of the Reparations Law as amended.

The alloted funds and releases out of the total accumulated collections and interest earned are as follows:

Alloted Funds and Releases

A. Special Economic Development Fund	
1. Land Tenure Administration Fund per R. A. No. 1789 as amended	₱ 1,500,000.00

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[1] Source of Data: Acctg., Finance & Budget Operations Dept., Reparations Commission.

2. Rural Banks Trust Fund, Central Bank per R.A. 1789, as amended	₱ 4,000,000.00	
3. Development Bank of the Philippines per R.A. 2081, as amended	11,000,000.00	
4. Presidential Schoolbuilding Committee per R.A. 2093	5,000,000.00	
5. Reparations Commission Annual Budget, Various Appropriations Acts	9,535,166.03	
6. Transferred to Mission Trust Fund, General Appropriations Act, R.A. No. 3500	120,000.00	
7. Central Luzon-Cagayan Valley Development Authority per R.A. 3054 (Gov't. Subscription to its Capital Stock)	500,000.00	₱31,655,166.03
B. Veterans Trust Fund		
1. Philippine Veterans Bank per R.A. No. 3518	₱18,265,434.41	₱18,265,434.41
Total Alloted Funds		₱49,920,600.4

The unalloted funds in the bank are as follows:

A. Special Economic Development Fund		
1. Current Accounts No. 2-PNB	₱ 687,348.48	
2. Current Account No. 6-PNB	565,191.07	
3. Savings Account No. 7-2 PNB	3,372,489.84	₱ 4,825,029.
B. Veterans Trust Fund		
1. Current Account No. 9-PNB	₱ 4,610,307.84	₱ 4,610,307.
Total Unalloted Funds		₱ 9,435,337.
Total Alloted and Unalloted Funds		₱59,355,937.

From the above figures of accumulated collections, releases and balances of funds as of March 15, 1966, it appears that the provisions of Section 3 of R. A. No. 1789 as amended, has never been adhered to in the matter of apportionment of the reparations proceeds and the interest earned therefrom. In view of the limited financial resources of the government to carry out its important projects, there is a need to amend that pertinent provision of the Reparations Law as already amended, concerning the disposition of the proceeds derived from the sales of reparations goods and utilization of services so as to funnel the bulk of the amount to immediate and essential economic development projects as well as infrastructure projects designed to stimulate agricultural production particularly rice and corn and the major export products.

The salient features of the proposed amendments are:

1. That the Special Trust Fund which shall be made available to the Development Bank of the Philippines and the Philippine National Bank shall be for loans for economic and industrial and agricultural development projects as well as for construction and operation of essential government projects, construction, reconstruction, repair and/or improvement of public school buildings;

2. The apportionment of the loans shall be:
   a) Twenty percent for industrial loans,
   b) Thirty percent for agricultural loans (but not more than twenty percent of such agricultural loans may be granted on any single agricultural crop),
   c) The remaining fifty percent, which shall be given top priority, for the construction, reconstruction, repair and/or improvement of public school buildings, and to finance essential government projects in the list of priorities under Section 2(e) of the law.

The urgent necessity for the immediate enactment by Congress of the amendatory bills to the Reparations Law is dictated by the need for financial support for essential government projects.

Collectible Funds

As of December 31, 1965, the total amount still collectible from reparations end-users was ₱46,204,024.70 broken down as follows:

Government Sector -	₱ 23,839,769.43
Private Sector -	22,364,255.27
Total	₱ 46,204,024.70

The biggest delinquent reparations end-user is the government sector. The government agencies still indebted to the Reparations

Commission are:

1. Department of Public Works & Communications	₱ 14,286,303.73
2. National Civil Defense Administration	130,329.08
3. Department of Education	75,129.58
4. Department of Foreign Affairs	366.04
5. Communications & Electricity Development Authority (CEDA)	409,617.23
Total for Gov't Agencies	₱ 14,901,745.66

The government corporations still indebted to the Reparations Commission are:

1. Philippine National Railway	₱ 5,966,477.66
2. National Development Co.	322,722.64
3. National Shipyard & Steel Corporation	1,744,257.79
4. National Waterworks and Sewerage Authority	904,565.69
Total for Gov't Corp.	₱ 8,938,023.77

The total amount of ₱22,364,255.27 still collectible from the private sector in spread out among sixty-three private end-users. Most of these delinquent end-users are in arrears since 1961. The immediate collection of this collectible funds from various end-users is of utmost importance considering the need of the government for financial support for its various public works projects.

The Reparations Commission appears helpless in running after these delinquent end-users in spite of the power vested upon it by the law. It is about time that the Commission should adopt drastic measures to effect efficient collections from reparations end-users. To complement and give more teeth to the existing pertinent provisions of the Reparations Law, the bill now pending in Congress containing amendments relative to this matter should be approved.

e. The $250-Million Loan Component

1) Salient features of the Agreement. The $250 million loan component of the Japanese reparations will not strictly partake of the nature of reparations because of its private and non-governmental character. The Agreement between the governments of the Republic of the Philippines and Japan concerning the economic development loans provides the following salient features:

a) These long-term loans to the total of $250 million will be made principally in the form of machinery and equipment to be extended by private firms or nationals of Japan to private firms or nationals of the Republic of the Philippines through appropriate contracts that may be entered into.

b) Loans shall be extended on a commercial basis and in accordance with the applicable laws and regulations of the two countries.

c) Being strictly private in character, the terms and conditions of any loan are subject to agreement between the parties concerned. It is understood that the loan shall be repaid by installment in kind or in the usual manner and that the period of each repayment will be made as long as possible and the rate of interest as low as may be warranted on a commercial basis.

d) The Japanese Government agrees to facilitate and expedite the extension of such loans within the scope of her pertinent laws and regulations, and the Philippine Government shall also undertake measures as will achieve the same purpose. To this end, the two Governments have agreed to review from time to time the progress of implementation of the Agreement.

e) The Agreement does not stipulate that the aggregate amount of $250 million will be made available in specified annual amounts. However, the Agreement shall remain in force for a period of twenty years, subject to extension beyond such period in the event that the whole amount of $250 million is not reached.

2) Implementary provisions of R.A. 1789 as amended

Section 18 of R.A. No. 1789 as amended, provides the following features;

a) That the development loans shall purely be in the form of capital goods not procurable through reparations;

b) That the recipients of such loans shall be Filipino citizens; or entities wholly owned by Filipino citizens;

c) That the Reparations Commissions shall determine the fields of investment in the various industries for which the loans may be granted under the criteria and priorities established in the economic development program of the government;

d) That in the determination of the field of investment for which the development loan may be granted, the Commission shall include and give priority to private financial institutions and industries liquidated and commandeered by the Japanese Imperial Army of occupation and/or Japanese military administration and which private financial institutions and industries have not as yet been rehabilitated or otherwise granted benefits.

The Reparations Commission, in implementing the provisions of Section 18 of R.A. No. 1789 as amended, adopted on October 28, 1958, Resolution No. 62 specifying the fields of investment for which the economic development loans may be made available to qualified applicants. The resolution also clearly stipulates that the projects of investment should be dollar-producing.

The fields of investment drawn out by the Reparations Commission and embodied in its Resolution No. 62 are:

a) Agricultural machinery, equipment and services, when not procurable through reparations, for the opening of virgin lands in the Philippines to agriculture, for the production of basic staple commodities, or of agricultural products for export.

b) Machinery, equipment and services, not procurable through reparations, for the development of extractive industries such as mining, shipping, logging and lumber milling, and cottage and home industries, utilizing largely raw materials found in the Philippines.

c) Other machinery and equipment, not procurable through reparations, for the development or utilization of untapped natural resources of the Philippines.

d) Other fields of investment, industries or projects included in the approved reparations programs, when it is definitely ascertained that the financing needs of such fields of investment, industries and projects cannot be adequately met by reparations payments.

3) Status of the $250-million loan component Although under the terms of the Agreement, the governments of Japan and the Philippines are committed to facilitate and expedite the extension of the economic development loans on a private and commercial basis and within the scope of pertinent laws and regulations of both countries, yet up to the present the $250 million loan component of reparations has never been availed of. Inspite of the lack of capital and the urgent need for financing and/or refinancing of local industries, not a single Filipino individual or entrepreneur seems to be interested

of availing of the benefits of this economic development loans.

The non-implementation of this $250-million loan component of reparations lies in the fact that the terms and conditions set forth in the Agreement have not as yet been clearly defined by the appropriate agencies of the Philippine Government nor have the working procedure and rules for availing of the loan envisaged therein been laid down except for the determination of the fields of investments by the Reparations Commission.

Another drawback in the implementation of the Agreement, concerning the loan component is the policy enunciated in Section 18 of R.A. No.1789 as amended, that the Philippine Government shall not authorise any development loan in capital goods under the executive agreement contained in the exchange of notes on development loans, where such capital goods can be procured by way of reparations. Considering that almost all projects are procurable by way of reparations, it will appear that nothing can be availed of under the economic development loans. The particular provision of the Reparations Law as amended, designed to implement the loan component actually negates Resolution No. 62 defining the fields of investment for which the economic development loans may be made available to qualified applicants.

The Philippine Bankers Mission, a group composed of leading private banking leaders of the country, that went to Japan in 1957 to discuss with their Japanese counterpart on how the subject Loan Agreement can best be implemented, had confined their discussion mainly on the banking procedures, terms and conditions for the extension and repayment of the loans acceptable to private bankers of both countries.

4) Recommendations The non-implementation of the subject Agreement appears not due to any problem encountered by the prospective applicants. In order that the $250-million component of reparations could be availed of, the following measures are recommended:

a) That renegotiation with the Japanese Government be proposed with the view of securing favorable terms and conditions, like longer period of repayment and lower rate of interest that will prove attractive to prospective applicants.

b) That the banking procedures outlined in the report of Mr. Alfonso Calalang and his bankers group that went to Japan in 1957, be considered as the framework for implementing the loan agreement along banking procedures as the same represents the joint findings on a working level of both the Philippine and Japanese bankers.

c) That a delineation of fields of investment to draw up as to which could be procured by way of reparations and those to be availed of under the loan component. There will, therefore, be a need of revising the fields of investment drawn out by the Reparations Commission as embodied in Resolution No. 62.

d) That the Reparations Commission should lay down the priorities and criteria for processing applications for such loans subject to review and recommendation of the National Economic Council. Inasmuch as the National Economic Council draws up the overall economic development program and also lays down the system of priorities by which such program should be carried out, it will be proper and logical for the NEC to determine in terms of broad policy guides for the Reparations Commission, what criteria and priorities to follow in the consideration of all applications for economic development.

It is believed, however, that the implementation of the loan agreement could be hastened if the Treaty of Commerce and Navigation between Japan and the Philippines will be ratified.

3. Problems In the course of the implementation of the Reparations Agreement for the past ten years, serious problems affecting the efficient and systematic procurement and utilization of reparations goods cropped up. The most serious problems which require immediate attention if the nation is to get the maximum economic benefits from the reparations payments are:

a. How to minimize if not entirely free the government agencies having to do with the procurement and disposition of reparations goods from political influence and pressure particularly on the matter of programming and scheduling of projects. This often results in the squeezing out of worthy and priority-rated projects from the schedule and the delay in the formulation of the schedule.

b. How to improve the standards and procedures for evaluating reparations projects applications with a view to ensuring that only those projects which meet the test of technical, financial and economic feasibility are approved.

Some failures of reparations industrial projects reflect the incomplete and unsystematic methods of evaluation as to their financial, technical and economic feasibility.

c. How to accelerate the procurement and disposition of the balance of reparations still due from Japan.

d. How to minimize the alleged overpricing of reparations goods depriving the country of the true worth of reparations benefits she is supposed to get.

e. How to improve collections from reparations grantees.

The helplessness of the Reparations Commission in running after delinquent end-users is reflected in the back accounts of end-users amounting to ₱46,204,024.70 as of December 31, 1965.

Legislative Proposals

In order to successfully carry out the Reparations Program and solve certain problems already cited, it is necessary to further amend certain sections of R. A. No. 1789 as already amended. The proposed amendments will not only plug the loopholes of the Reparations Law but will also make it conform and be more responsive to economic condition obtaining now. The proposed amendments considered essential to the implementation of the program are:

1) Amendment relative to capital goods and services It is proposed to eliminate the limitation on the allocations for non-revenue producing government projects to 10 percent of the value of the annual schedule. It is believed that the elimination of the limitation will give a wide latitude for the government in the selection of "impact" projects essential to the economic development of the country.

Another proposed amendment is the changing of certain projects accorded top priority under the law, like firefighting equipment, cement and logging with road construction, irrigation, portworks, water supply, and basic metal and chemical industries and high priority government projects approved by the President and recommended by the National Economic Council. The projects proposed to be eliminated from among those given top priority have already received sufficient assistance from reparations and are considered to be already fully developed relative to the requirements of the country and shall now give way to projects designed to boost the government's rice self-sufficiency program, as well as the development of infrastructure projects.

2) Amendment relative to the requirements for the application for reparations It is proposed that in order to thoroughly screen and objectively appraise projects to be financed through reparations it must be required of the applicants to submit together with the application a project study prepared and certified to by a competent and licensed engineer and such study to cover thoroughly the financial, technical and economic aspects of the projects. A guarantee clause from the Japanese supplier shall also be required to accompany the official firm offer to warrant the successful and efficient operation of the quoted machinery and equipment for at least one year.

3) Amendments relative to the procurement of goods other than capital goods Experience has shown that importations of consumers' items through reparations has adversely affected local industries and has always been the object

of protestations from Filipino producers. To duly protect the domestic industries from undue competition, it is proposed not to allow the importation of consumers' goods through reparations.

4) Amendment relative to requirement for the application for goods other than capital goods To insure that the goods other than capital goods being applied for are not controversial or will not adversely affect any sector of the economy, it is proposed that a study on the cost and utilization of such goods under oath shall accompany each application. It will also facilitate the screening and appraisal of the items applied for.

5) Amendment relative to the generation of the $20 million trust fund for the veterans For the same justification as already given in the preceding proposed amendment, the procurement of consumer items to generate the veterans trust funds shall be likewise eliminated and in its stead the procurement of capital goods, essential raw materials needed by local industries, and insecticides is recommended.

6) Amendment relative to projects of the public sector To make the law more responsive to the economic needs of the country, it is proposed that the preferential attention given to the private sector, in the manner of procurement of reparations goods be eliminated and to make

the law broad enough so as to cover also government projects.

It is also proposed to delete from among the list of government projects given preference such as cottage industries and fire-fighting equipment and to substitute more essential projects such as road construction, irrigation, portworks, water supply [, and] agriculture AND MULTI-PURPOSE PROJECTS and other high priority projects approved by the President upon recommendation of the National Economic Council.

In the light of the desire of the President to channel the bulk of the balance of the reparations payments to the public sector, it is observed that there is no need of amending the pertinent portion of Section 2(e) of the law limiting the allocation to the private sector to not more than 60 percent of the total value of reparations. This pertinent provision of the law is very clear as it pertains to the upper limit only of 60 percent. The private sector may get less than the maximum allocation allowed by law without violating the law. A decrease in the allocation for the private sector will proportionately increase the allocation for the public sector. On the other hand, an amendment limiting specifically the participation of the private sector to a smaller amount of say 30 percent will also be acceptable in line with the Executive intent.

7) Amendment relative to the size of the annual schedule
With the aim in view of accelerating the reparations payments by Japan and consequently shortening the period of payment, it is proposed not to limit the total value of the annual schedule, subject of course, to the agreement of Japan. This proposal shall take effect right after the 10th Year Schedule in order to assure first the completion of projects given partial allocations in previous schedules and were to be completed under the 10th Year Schedule.

8) Amendment relative to the Special Economic Development Fund
It is proposed to give the agricultural sector and essential government projects bigger participation in the utilization of the proceeds of the sale of reparations goods and utilization of services together with the interests earned which will be constituted as a Special Economic Development Fund. The primary objective is to boost the country's rice production with the aim of attaining self-sufficiency.

9) Amendment relative to the submission of the tentative annual schedule to the NEC Experience in the past has shown that there has always been a delay in the submission of the tentative annual schedule by the Reparations Commission to the NEC, resulting usually in the delay in the procurement of essential machinery and equipment badly needed in the development of vital projects. To avoid

this delay it is proposed that the Reparations Commission submit the tentative annual schedule to the National Economic Council not later than the 2nd day of November in order for the NEC to act expeditiously on such schedule, the Reparations Commission shall also submit,, together with the schedule, the project studies, evaluation report, and pertinent information or data of the projects included thereat.

10) Amendment relative to the utilization of such portion of the annual reparations payments to guarantee repayment of loans It is proposed to amend Section 6(h-1) of the law so as to include among the projects that shall be financed by a Japanese institution or institutions and guaranteed by reparations on a turn-key basis the following GOVERNMENT IRRIGATION, PORTWORKS, ROAD CONSTRUCTION AND MULTI-PURPOSE PROJECTS together with the Marikina River Multi-Purpose Project.

11) Amendment relative to terms of sale The proposed amendment intends to give the terms of sale for interisland vessels similar treatment to that given for ocean-going vessels. The justification for this proposed amendment is to insure at least a balanced development in our coastwise shipping and overseas shipping.

12) Amendment relative to the penal provision In certain cases, the Reparations Commission, cannot force an end-user to pay the first annual amortization even if the project is already operating, on the ground that the physical delivery of equipment is not complete due to a missing auxiliary equipment, say, a pump which could easily be replaced. It is, therefore, proposed to clearly qualify that pertinent provision "xxx complete physical delivery of the MAJOR AND/OR ESSENTIAL MACHINERY AND EQUIPMENT (WHICH WHEN INSTALLED COULD OPERATE TO PRODUCE THE DESIRED PRODUCT OR PRODUCTS EVEN WITHOUT THE MINOR OR AUXILIARY EQUIPMENT)".

13) Proposed provision designed to strengthen the power of the Reparations Commission on the collection of accounts. Failure by the end-user to make three (3) consecutive annual amortization payments after said payments have been due shall subject the goods as well as payments already made to confiscation and forfeiture by the government through repossession proceedings. It is further proposed that the repossessed goods be resold to qualified private party or parties through public bidding or channeled through the OEC for proper disposition.

Recommendations

In order to successfully implement the Reparations Program the following measures are recommended:

1. It is absolutely essential that government projects to be given allocation from reparations should have properly approved plans, specifications and projects studies and that the required peso-counterpart funds are assured.

2. The practice of giving partial allocations to indivisible projects should be discouraged. This often results in non-implementation of big projects.

3. Those already given one vessel or fishing boat under previous schedules should be given preference in the matter of allocation over new applicants since it is not economically feasible for an individual or firm to operate only one overseas or interisland vessel or fishing boat.

4. It should be the policy of the government not to procure through reparations goods already produced locally in sufficient quantities. Great care should be taken in the procurement of consumer items in connection with the generation of the veterans trust fund so as not to affect adversely local producers and legitimate importers.

5. Political consideration should not be allowed to prevail over the economic and technical aspects of projects in the matter of allocations of reparations funds.

6. A continuing and thorough study on the pricing of reparations goods be conducted immediately by the Reparations Commission and the NEC.

The Program

The Four-Year Reparations Program will actually start with the 11th Year Reparations Schedule. Pursuant to Section 2(h) of R.A. 1789 as amended, the amount to be programmed yearly will be at least $45.0 million, which is equal to the funds available for the corresponding reparations year plus one-half of the funds available for the succeeding year and whatever savings accrued from previous years, if any. Starting with the 11th year schedule, $30.0 million will have to be programmed in the regular annual schedule in accordance with the provisions of Article 2 of the Reparations Agreement plus $15.0 million which is equivalent to one-half of the funds available for one reparations year or a total of $180.0 million for the next four years.

The amount of $11.16 million representing the unimplemented portion of the $20.0 million cash component of reparations for the veterans trust fund will have to be provided for in the four-year reparations program. The operational expenses of the Philippine Reparations Mission in Tokyo in the amount of $0.80 million yearly will likewise have to be considered in accordance with the provisions of Section 9 of the Reparations Law as amended.

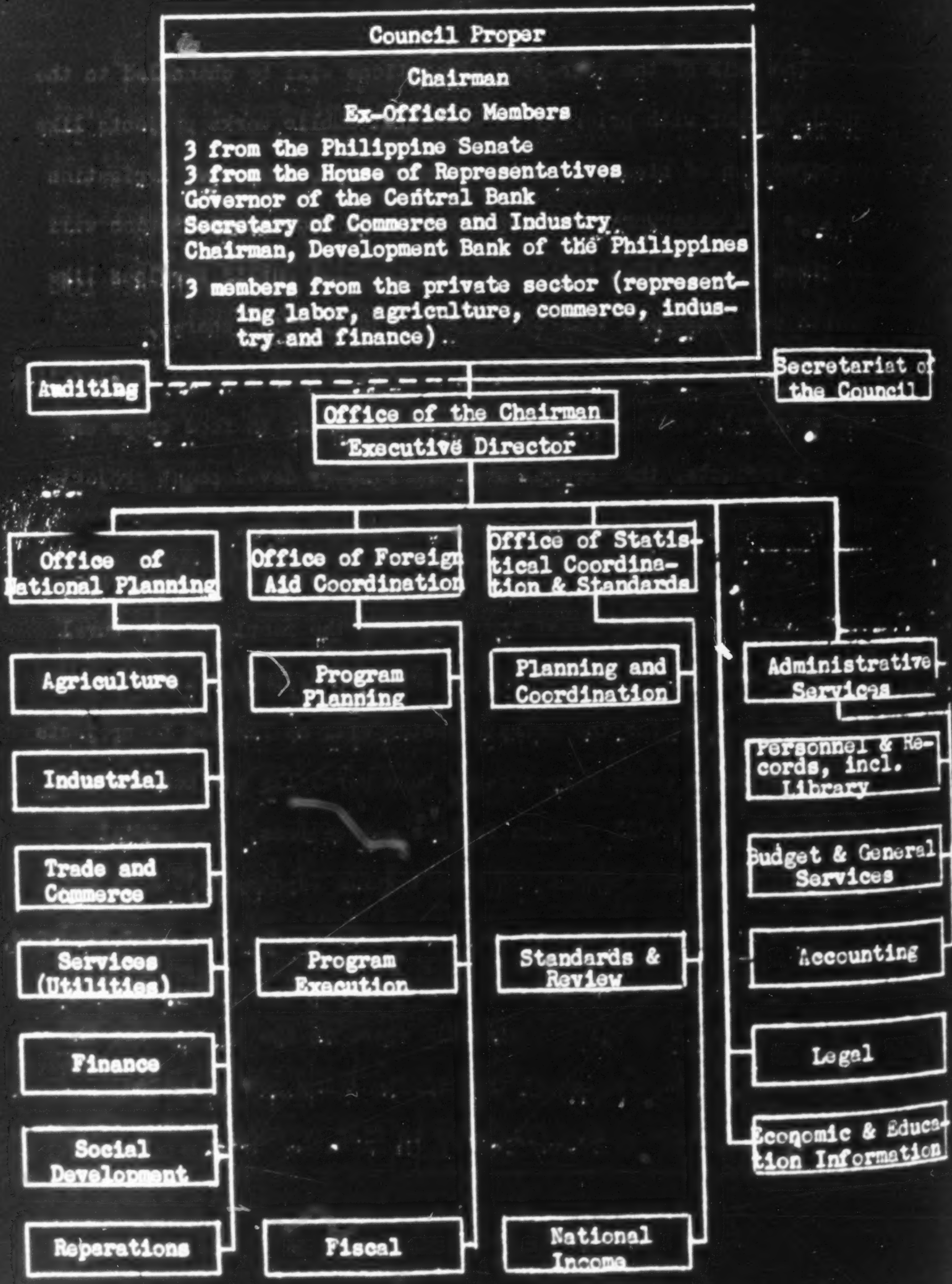
The bulk of the four-year allocations will be channeled to the public sector with priority to essential public works projects like construction of highways, bridges, portworks, airports, irrigation systems and waterworks. Power development and transportation will be given preferential treatment and essential public services like health and education will be allocated substantial shares.

With the emphasis laid in an all-out effort towards accelerating the country's agricultural production specially in food crops and export products, the agricultural and fishery development projects of the government will likewise have high priority.

The acquisition of various cottage industries machinery and equipment designed to boost the income of the people of the rural areas is also given impetus in the reparations program.

The portion for the private sector will be limited to projects whose equipment needs have already been partially met but the completion of which will require further allocations. Industrial projects which need completion a re textile (synthetic), soda ash plant, iron smelting, cement and iron works as well as other projects like telecommunications and the construction of a hotel. Fishery development will be given a sizeable share in the program for the private sector to complement the efforts being put up by the government towards self-sufficiency in fish products.

ORGANIZATION CHART


Council Proper
Chairman
Ex-Officio Members
3 from the Philippine Senate
3 from the House of Representatives
Governor of the Central Bank
Secretary of Commerce and Industry
Chairman, Development Bank of the Philippines
3 members from the private sector (representing labor, agriculture, commerce, industry and finance)
Auditing
Secretariat of the Council
Office of the Chairman
Executive Director
Office of National Planning
Office of Foreign Aid Coordination
Office of Statistical Coordination & Standards
Agriculture
Industrial
Trade and Commerce
Services (Utilities)
Finance
Social Development
Reparations
Program Planning
Program Execution
Fiscal
Planning and Coordination
Standards & Review
National Income
Administrative Services
Personnel & Records, incl. Library
Budget & General Services
Accounting
Legal
Economic & Education Information

Chapter XV -

THE NATIONAL ECONOMIC COUNCIL AND THE STAFF

The present National Economic Council is a creation of Republic Act No. 997 known as Reorganization Act of 1954, which approved Reorganization Plan No. 10. This Plan in turn, which took effect on July 1, 1955, upon the issuance of Executive Order No. 119, provided for the abolition of the former National Economic Council, the PHIILCUSA, the Economic Planning Board, and the Tariff Commission, and the creation of the present National Economic Council which formerly had 11 Council members but later increased to 13 upon the enactment of Republic Act No. 2699.

The Council proper is composed of a full-time Chairman with Cabinet rank and appointed by the President with the consent of the Commission on Appointments; 3 ex-officio members designated by the President of the Senate from the membership of the Senate; 3 ex-officio members designated by the Speaker of the House of Representatives from the membership of the House; the Governor of the Central Bank of the Philippines; the Secretary of Commerce and Industry; the Chairman of the Development Bank of the Philippines; and 3 other members from the private sector representing labor, agricultural, commercial, financial, and industrial interests who are appointed by the President with the consent of the Commission on Appointments.

The Council proper has its Secretariat headed by the Head Executive Assistant.

The functions, powers, duties, and responsibilities of the Council as provided in Section 13 of Reorganization Plan No. 10 include, among others, the following:

1. Advise the President on matters concerning the economy. The Council, acting through its Chairman, shall be an extension of the personality of the President.

2. Formulate definite and consistent national economic policies and prepare comprehensive economic and social development programs which, when approved by the President and, if necessary, by Congress, shall be implemented by government executive departments, government corporations, government financial institutions, chartered cities, and other local governments. Plans and programs shall be formulated in component parts, each part to contain those items which each respective government entity - department, bank, financial institution, corporation, etc. - shall have responsibility for implementing. Likewise, items which require implementation by private enterprise shall be formulated as component parts of the integrated plans or programs.

3. Review all existing programs, public or private, which have a bearing on economic development, and make modifications thereof at least once each year.

4. Study available financial resources for financing economic development, both public and private, in the light of current credit and monetary policies.

5. Inventory the country's needs and resources, and establish a program of priorities for development projects that would fit into both the immediate and long-run demands of the Philippine economy.

6. Establish goals for public and private investment in the fields of food and raw materials production, power, communications, manufacturing, and other essential services.

7. Study and define consistent policies and criteria that shall govern the granting of tax exemption privileges and other incentives to investment.

8. Formulate recommendations on desirable levels of government revenues and expenditures, and relate public works expenditures to the overall program for economic development.

9. Formulate recommendations to coordinate fiscal and monetary policies.

10. Study the economic aspects of reparations and determine the magnitude, extent, timing, and quality of reparations items, as well as the proper use and/or disposal thereof.

11. Formulate trade and tariff policies, considering that tariffs are instruments of national policy in the solution of balance of payments problems and in achieving a broader and more stable pattern of domestic production.

12. Coordinate statistical activities of all government agencies, formulate statistical standards and methodology, and prescribe their use by government agencies.

13. Prescribe priorities in the allocation of foreign exchange necessary to implement approved economic development plans and projects which, when approved by the President, shall be binding on the Central Bank.

14. Require the services of other government agencies as may be needed in the formulation and implementation of its policies, plans, and programs.

15. Require such reports from all government entities as the Council deems necessary on the implementation of approved plans, projects, and programs.

16. Submit periodic reports to Congress and to the President indicating, among other things, the state of progress in economic planning, the progress made by other entities in the implementation of approved economic plans, programs, and projects, and current needs for legislation and changes in administrative policy, objectives, and practices.

The technical staff supporting the Council proper is composed of three major offices: the Office of National Planning, the Office of Foreign Aid Coordination, and the Office of Statistical Coordination and Standards. The Office of National Planning has seven branches: Industrial Resources, Trade and Commerce, Agricultural Resources, Finance, Social Development, Services (Utilities), and Reparations. The Office of Foreign Aid Coordination has three branches: Program Planning, Program Execution, and Fiscal. The Office of Statistical Coordination and Standards also maintains three branches: Planning and Coordination, Standards and Review, and National Income.

Each office is headed by a Director and an Assistant Director. The branches in the Office of National Planning are headed by Chief National Planners with their respective assistants, except the Reparations Branch which is presently headed by a Senior Executive Assistant II.

In the case of the Office of Foreign Aid Coordination, one branch is headed by a Chief Development Projects Coordinator and an assistant; another branch, by a Chief Development Projects Evaluator and an assistant, and the third branch, by a Fiscal Controller II.

The branches of the Office of Statistical Coordination and Standards are all headed by Chief Statistical Coordinators and their respective assistants.

In addition to the above-mentioned three major offices, the National Economic Council maintains other units serving as staff of the Council. These are: (a) Legal Staff; (b) Economic Education and Information Staff; and (c) Administrative Services consisting of (1) Personnel and Records Division (including the Library), (2) Budget and General Services Division, and (3) Accounting Division. Coordinating the operations of the various offices and units in the National Economic Council is the Executive Director as indicated by the Organizational Chart.

As of April 30, 1966, the total personnel force of the National Economic Council was 289, of which 181 or 63 percent are males and 108 or 37 percent are females. By age group, the NEC personnel are classified as follows:

Age	Number	Percent
18-25 years	6	5.9
26-35 "	78	24.6
36-45 "	101	36.6
46-55 "	60	21.7
over-55 "	31	11,2
Total	276[a]	100.0

The average age of the entire staff is 41.3 years.

About 66 personnel occupy executive and supervisory positions, 74 technical, 123 clerical and 26 manual and auxiliary jobs.

As a technical office, the personnel force is composed of varied types of professions. Hereunder is the distribution of the staff of the Council. Among the different academic degrees and professions, some of the personnel have more than one degree.

Course	Number	Course	Number
BSBA or BSC	53	BS Ch E	6
BSE	34	Doctors of Medicine	5
LLB (23 passed the Bar Exam.)	31	BS Pharmacy	5
BSCE	14	AB in other Social Sciences	5
CPA	12	BS Meteorology	4
BSA	11	MA Economics	4

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[a] Exempt officials, the Chairman and the Council Members are not included.

Course	Number	Course	Number
Ph D in Edu., Eco., Chem.	3	BS Aeronautic Engineering	1
BSEE	3	BS Mining Engineering	1
MA & MS Statistics	3	BS Geodetic Engineering	1
AB Economics	3	BS Sugar Technology	1
BS Architecture	2	Doctor of Veterinary Medicine	1
BS Chemistry	2	MS Agriculture	1
BS Literature	2	MS Industrial Management	1
Ph B Literature	2	MS Social Work	1
Master of Pub. Adm.	2	MS Animal Husbandry	1
Master of Laws	2	MS Fisheries	1
BSME	2	MA Social Administration	1
Cert. of Pub. Health	2	MA Public Health	1
MA Education	2	MA Sociology	1

About ninety-three employees occupying non-technical positions are without college degrees.

In order to upgrade the technical training and experience of the staff, a policy has been set to afford all employees opportunity to enroll in appropriate courses in universities and other training institutions here and abroad. In fact, a large number of the technical staff have already availed themselves of the opportunity of studying here and abroad under government assistance. Recently, five members of the staff of the Office of Statistical Coordination and Standards completed a six-month training course in input-output analysis in Japan and one staff member of the

Office of National Planning completed also a three-month advanced course in Economic Planning in the Asian Institute of Economic Development and Planning in Bangkok, Thailand.

The establishment of the "Wisconsin-University of the Philippines Program in Development Economics" at the University of the Philippines has increased opportunities to the staff to acquire advance training in economic development and planning. During the school year 1965-1966 a senior national planning assistant and a senior development projects evaluator completed a six-month course under this program and for the school year 1966-1967, four senior national planning assistants have been recommended. Two senior members of the staff had just recently obtained a degree of Master of Public Administration from the University of the Philippines, Graduate School of Public Administration and one, a Master of Science in Agriculture degree from the Araneta University. Two other staff members are now finishing their theses for the degree of Master of Arts in Social Welfare at the University of the Philippines and the Philippine Women's University.

Supplementing the training of the personnel in other institutions, the NEC has included in its personnel upgrading program in-service training. Recently, a three-month in-service training was conducted by the Office of Statistical Coordination and Standards which dealt largely with input-output analysis in relation to economic development and planning. A 102-hour refresher course on basic economic theory was also conducted by the training staff for the technical personnel.

Many of the senior members of the technical staff of the National Economic Council have also been consistently attending international conferences, seminars, and meetings of various categories such as those sponsored by the United Nations, the Economic Commission for Asia and the Far East, the Colombo Plan, the Agricultural Productivity Organization, the World Bank, the United Nations Conference on Trade and Development, the World Health Organization, the General Agreement on Tariffs and Trade, and other international organizations. Eleven of our present staff had attended conferences and meetings abroad, thirty have attended seminars, technical training, and study tours abroad, while nineteen had been on scholarship grants for Master's degree, or diploma, or certificate for advanced studies in foreign universities.

As a recognition of the technical ability of some of the senior members of the staff of the National Economic Council, some international organizations like the ECAFE have availed of their services. At present four senior members of the staff are on leave of absence to accept employment in the ECAFE for a period of one year but all of them have been granted extension of service thereat for more than two years. This includes the Director of the Office of National Planning, the Assistant Director of the Office of Statistical Coordination and Standards, and two other senior members of the staff. In addition to those serving in

ernational organizations, there are also those who are assigned
serve part time in other local organizations. For instance,
Acting Director of the Office of National Planning is at the
e time an official member of the governing body of the National
ience Development Board and the Board of Technical Surveys and
s, and a member of the Advisory Council of the Institute of
nomic Planning of the University of the Philippines. The
ing Assistant Director of the same office is also representing
NEC Chairman as member of the Embroidery and Apparel Control
Inspection Board. Senior Staff members are also utilized as
source persons, lecturers, and conference leaders in in-ser-
ce training programs of government agencies in their respective
nes of specialization.